



Comprehensive Annual Financial Report

City of Milwaukee, Wisconsin

for the Year Ended December 31, 2007

**W. Martin Morics
Comptroller**



Comprehensive Annual Financial Report

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for the Year Ended December 31, 2007

Office of the Comptroller

**W. Martin Morics
Comptroller**

CITY OF MILWAUKEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Office of the Comptroller

July 30, 2008

W. Martin Morics, C.P.A.
Comptroller

Michael J. Daun
Deputy Comptroller

John M. Egan, C.P.A.
Special Deputy Comptroller

Craig D. Kammholz
Special Deputy Comptroller

Honorable Tom Barrett, Mayor
The Members of the Common Council
City of Milwaukee
Milwaukee, WI 53202

Dear Mayor and Council Members:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Milwaukee for the fiscal year ended December 31, 2007. This report is prepared to satisfy the City Charter requirement for the Office of the Comptroller to prepare an annual statement of revenues and expenditures and the Common Council's request for an independent examination of financial activity of the City of Milwaukee. The report was prepared by the Office of the Comptroller in conformity with accounting principles generally accepted in the United States of America (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and other authoritative accounting standard setting bodies. This report presents the financial position of the City of Milwaukee and its component units. The CAFR reflects the actual financial activity of the past year rather than proposed activity for a future year, as presented in the City's Annual Budget.

This report consists of management's representation concerning the finances of the City of Milwaukee. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Milwaukee and the component units are responsible for establishing and maintaining an internal control structure designed to ensure that the assets entrusted are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

An independent firm of licensed certified public accountants, KPMG LLP, has audited the City of Milwaukee's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Milwaukee for the fiscal year ended December 31, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Milwaukee's financial statements for the fiscal year ended December 31, 2007, are fairly presented in conformity with GAAP.

The GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

The Comprehensive Annual Financial Report is presented in three sections. The **Introductory Section** includes a list of principal officials, an organizational chart, and this letter of transmittal, which highlights significant aspects of the City and particular financial issues. The **Financial Section** includes the independent auditors' report, Management's Discussion and Analysis, the basic financial statements (government-wide statements and fund statements), notes to the financial statements, other required supplementary information (RSI), combining financial statements and other financial schedules. The **Statistical Section** includes exhibits and tables of unaudited data depicting the financial history of the City, as well as demographic and other miscellaneous statistics, generally presented on a multi-year basis.

THE REPORTING ENTITY AND ITS SERVICES

The City of Milwaukee was incorporated as a city on January 31, 1846, pursuant to the laws of the territory of Wisconsin. The City, in operation under a Home Rule Charter since 1874, provides for a council-mayor form of

CITY OF MILWAUKEE
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government. The Mayor, Comptroller, Treasurer, City Attorney and 15 Common Council members are elected officials of the City. Local elections are nonpartisan. Officials are elected to identical four-year terms. The City of Milwaukee held a general election for these positions in April 2008. The Mayor is the Chief Executive Officer and maintains a cabinet form of government controlling major City departments by appointing department heads subject to confirmation by the Common Council. The Mayor is responsible for the preparation of an annual city expenditure budget, subject to review and adoption by the Common Council. The Common Council is responsible for the management and control of the finances and property of the City and has the full power and authority to establish, enforce and modify all regulations for the government. The Comptroller, as the Chief Financial Officer for the City, is responsible for establishing City accounting policies and procedures, revenue estimating and monitoring, examination and investigation of all matters related to the finances of the City, issuance of debt and financial reporting. The City Treasurer is responsible for the receipt, disbursement and investment of all monies accruing to the City, including the collection of property taxes. The City Attorney is responsible for all legal matters of the corporation, including furnishing legal opinions, drafting all legal documents and defending the City in any legal actions.

The City of Milwaukee provides a full range of municipal services, including police and fire protection, sanitation, health, culture and recreation, public works, conservation and development and administrative support services. Also included in the report are the enterprise operations of the Metropolitan Sewerage District User Charge, Parking, Port, Sewer Maintenance and Water Works. These activities are under the direct oversight responsibility of the Mayor and Common Council and constitute the primary governmental functions of the City of Milwaukee. In addition, entities for which the City has financial accountability or for which the nature and significance of their relationship with the City would cause these financial statements to be misleading or incomplete are a part of the reporting entity. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The following organizations are reported as discretely presented component units: Milwaukee Economic Development Corporation, City of Milwaukee Housing and Redevelopment Authorities and Neighborhood Improvement Development Corporation.

The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions of the annual budget adopted by the Common Council of the City of Milwaukee. Activities of the general, capital projects funds and certain special revenue, debt service and enterprise fund types (exclusive of the component units) are included in the City's annual budget. The component units' respective Boards approve their budgets. City departments are required to submit their annual budget requests for the ensuing year to the Mayor by the second Tuesday in May. The Comptroller is also required to provide a statement of anticipated revenues by this date. After all requests have been reviewed, the Mayor submits his proposed Executive Budget to the Common Council. The City Charter requires that this be done on or before September 28. The Common Council must complete its review and adopt the budget on or before November 14. Once adopted, Common Council approval is required to amend the total appropriations by a department, the legal level of control for each budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by object class (i.e. salaries, operating expenditures, equipment) for each department for the general fund and enterprise funds. Project life rather than the standard current fiscal year is utilized for capital funds and special revenue funds. The City of Milwaukee also maintains an encumbrance accounting system as a technique of accomplishing budgetary control. Budget-to-actual comparisons are provided in the Required Supplemental Information Section of this report for the General Fund.

LOCAL ECONOMY

Geographically, Milwaukee consists of 95.8 square miles and is situated in the southeast corner of the State with Lake Michigan at its east boundary. Milwaukee is the largest city in the State; with a 2006 U.S. Census estimated population of 602,782. Due to its large population, it is also the only city of the First Class within the State of Wisconsin. The City represents approximately 40 percent of the population of the greater metropolitan area. Based on the last U.S. Census, the population in the four-county-retail-trade-area surrounding Milwaukee is 1.5 million and represents 28 percent of the population of the State of Wisconsin. Over 74% of metropolitan Milwaukee's population is comprised of residents with the working ages of 18 and older. Forty-eight percent of the counties of Milwaukee, Washington, Waukesha and Ozaukee residents are under the age of 35.

The City's economic structure reveals a diversified economy with strong service and manufacturing sectors. The service sector (service, finance, insurance, real estate and retail trade) employs over 69% of the workforce. Manufacturing firms employ 17 percent of the work force. The area is not dominated by any large employers. Less than 2%

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of the manufacturers have employment levels greater than 500. Less than 1% of the employers in finance, insurance and services have more than 500 employees.

Metropolitan area firms are engaged primarily in the manufacture of machinery. Contrary to Milwaukee's reputation as a brewery capital, less than one percent of the City's industrial outputs are related to brewing. In recent years, the metro region has a reputation as a center for precision manufacturing. It leads the nation in the production of industrial controls, X-ray equipment, steel foundry parts, and mining machinery.

Milwaukee is a major commercial shipping hub. Of vital importance to both the local and state economies is the Port of Milwaukee, a shipping and receiving point for international trade as well as the primary heavy-lift facility on the Great Lakes. A protected harbor permits year-round navigation through the port from three rivers in addition to Lake Michigan. With access to the eastern seaboard via the St. Lawrence Seaway and to the Gulf of Mexico through the Mississippi River, the Port of Milwaukee processes slightly under four million net tons of cargo annually and has helped the state maintain an export growth rate twice the national average. Both the Union Pacific Railroad and the Canadian Pacific Railway serve the Port, which is also served by convenient, non-congested access to the interstate highway system. Principal inbound commodities include cement, coal, machinery, steel, salt, limestone, asphalt, and crushed rock. The Port is also home to the U.S. Coast Guard, the U.S. Navy Reserve and the U.S. Army. The Harbor Commission's authority also includes the property of Milwaukee World Festivals, Inc., Pier Wisconsin, the Pieces of Eight Restaurant and the Lake Express high speed ferry.

Economic development is encouraged through the growth of employment opportunities for the citizens of Milwaukee and supports private investment that grows the City's tax base. Four key approaches are utilized: 1) direct financial assistance to small businesses that helps clients take advantage of opportunities to increase sales and employment; 2) use of tax incremental financing to provide public infrastructure improvements or other assistance to encourage major private investments that will contribute significantly to the growth of the tax base, employment or availability of commercial services in underserved areas; 3) partnerships with organizations that represent businesses and employers to improve the business environment, either in a particular geographic area or a particular industry segment; and 4) management of projects that invest City resources to redevelop underutilized or vacant properties for eventual sale to private owners.

In addition to pursuing new business, the City takes an active role in guiding economic development to serve the community. The City manages a number of programs intended to assist in local business retention efforts, provide permit assistance to new businesses and seek out appropriate sites for these businesses. The City has recently established its 41st Business Improvement District and Tax Incremental District (TID) #71. Forty-eight TID's remain active. In addition, the City manages various Development Fund Projects to promote urban renewal throughout the city.

Some of the City's biggest revitalization efforts will be realized this year as several major projects are completed. The most noteworthy development will be the opening of the \$95 million, 130,000-square-foot Harley-Davidson Museum. The museum is expected to attract 350,000 visitors each year. Also, this year, Potawatomi Bingo Casino will complete its \$240 million expansion of the Menomonee Valley casino. The expansion project will add 500,000 square feet to the casino, tripling its total size. Like the Harley Museum, the larger casino could help attract more visitors to Milwaukee. The casino will hire an additional 1,000 people to work at the expanded facility. With manufacturing remaining the backbone of the Menomonee Valley, the City's revitalization efforts are finally coming to fruition as several additional firms are expected to move in this year. A 160,00-square-foot facility for a manufacturer of high-tech, large-scale exhibition booths will bring about 160 employees to the Valley; a 43,350 square-foot facility is currently under construction and a 144,000 square-foot multi-tenant industrial building will be completed this year. The Valley has added 2,100 jobs since 1998 and developments in 2008 will bring in another 2,000 jobs.

Development is also expected to pick up this year in the Park East corridor on the northern edge of downtown Milwaukee. Two major projects are already under construction near the corridor; a 483 housing-unit development with about 25,000 square feet of retail space will be completed in five to seven years. Construction on the first phase of this project, with 83 apartments and 15,000 square feet of retail space will begin this year. Other on-going developments in the Park East corridor include a 14-story building with a 121-room hotel, 31 condos and 14,000 square feet of retail space. This project is expected to be completed this year. Several other Park East corridor developments are also expected to break ground this year, including a 100-room hotel.

Tourism is also a major contributor to the local economy. Milwaukee's arts, entertainment, professional sports, restaurants, parks, conventions, and businesses attract about six million visitors a year. There are about 20 major

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annual festivals hosted in Milwaukee. Summerfest is promoted as the world's largest music festival and attracts about one million attendees each year. Some of Milwaukee's ethnic festivals include the largest Native American festival in the country, America's largest Polish festival, America's largest Italian festival, America's largest 3-day German festival and the largest Irish festival in the world. Tourism spending in the greater Milwaukee area in 2006 increased 7% to nearly \$2.6 billion, as reported by the local convention bureau. Tourism supported 64,020 jobs in 2006, up 6.3% from 2005 when spending topped \$2.4 billion.

The educational opportunities in Milwaukee offer a wide variety of choices within the City. They include Alverno College, Cardinal Stritch University, Marquette University, Medical College of Wisconsin, Milwaukee Area Technical College, Milwaukee School of Engineering, Mount Mary College, University of Wisconsin-Milwaukee and Wisconsin Lutheran College.

The City remains in good financial condition, as is demonstrated by the financial statements and schedules included in this report

ECONOMIC OUTLOOK

The U.S. Census Bureau has accepted the City's challenge of the Census Bureau's estimated population that Milwaukee's 2006 is 602,782, instead of the Census' original figure of 573,358. As a result, Milwaukee moves from the 25th largest city in the U.S. to the 22nd largest, leapfrogging Boston, Seattle and Washington, D.C. This number also shows that Milwaukee is growing (the 2000 census found that Milwaukee's population was 596,974). The updated estimated places the City population at 602,782, a gain of 5,808. The new figure will help Milwaukee acquire federal funds that are determined by population formulas.

During 2007, the City's unemployment rate averaged approximately 7.3%; compared to the State of Wisconsin average of 4.9% and the United States average of 4.6%.

Per the April 4, 2008 Metro Milwaukee Business Outlook survey, three months into 2008, 64% of businesses surveyed expressed confidence in rising sales levels for 2008 as a whole, down modestly from the 69% from the beginning of 2008. Currently 9% of businesses surveyed projected a yearly sales decline while 26% see no change.

Retaining the City's high "investment grade" bond ratings is of prime importance and serves to maintain low borrowing costs. The low costs of borrowing, both for capital and cash flow purposes, produces direct benefits to the taxpayer. The City continues to maintain high investment grade ratings of AA+ from Fitch, Aa2 from Moody's and AA from Standard & Poor's. These ratings have been maintained during the recent slow economic growth and continued frozen state aids. As the ratings indicate, the City's capacity to meet its financial commitments on outstanding obligations is strong. The rating agencies indicate that the ratings reflect a combination of moderate overall debt burden, rapid debt repayment, manageable capital needs, strong growth in assessed value, and a diverse tax base. The City also assists in keeping the overall debt burden affordable by controlling the level of annual debt issued.

The property tax rate for 2008 purposes is \$8.01 compared to \$7.99 per \$1,000 of assessed value for 2007, with the 2008 total city property tax levy of approximately \$227.5 million increased \$7.4 million compared to \$220.1 million in 2007. The estimated assessed value increased approximately 3% from 2007 to 2008. The property tax revenue reported in the General Fund was \$137.3 million for 2007 compared to \$141.1 million for 2006. Property tax revenue funding as a portion of total General Fund budgetary expenditures for 2007 was 23.5% compared to 2006 of 23.8% as depicted in Exhibits E-1 in 2007 and 2006.

The City of Milwaukee Water Works is a municipally owned water utility regulated by the State of Wisconsin Public Service Commission (PSC). The PSC regulates the rates at which water is sold by the Milwaukee Water Works. An inflation based rate increase of 3.4% became effective in September 2006. The Public Service Commission approved an additional 6% rate increase effective June 1, 2007. The rate increases were the first since 2002. By PSC rule, the Water works may not seek another increase until 2009. Other City fees established by the Common Council such as sewer user fee, storm-water fee, solid-waste fee, sewer maintenance fee (which includes leaf pickup and street sweeping), snow and ice control fee and special garbage pickups (greater than four cubic yards) have no major increases for 2008.

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MAJOR CAPITAL PROJECTS

The 2008 capital budget includes funds for various infrastructure and building projects. For 2008, the City capital improvements budget, not including enterprise funds and grants and aid funding, totals \$139.5 million, a decrease of 10.3% or \$16 million from 2007 budget of \$155.5 million. Funding of \$71.7 million for various tax incremental district and development projects comprises 51.4% of the total capital budget for 2008. The Department of Public Works budget for bridges (\$4.5 million), local street resurfacing/reconstruction (\$6.5 million), major streets (\$7.7 million), street lighting (\$6.6 million) and major equipment purchases (\$6.0) total \$31.3 million or approximately 22.4% of the total 2008 capital budget. With the continuing funding for the City Hall Restoration Project (\$6.3 million) and the new Foundation and Hollow Walk Project for City Hall (\$1.2 million) represents 5.4% of the City funded portion of the capital budget. These projects account for approximately 79.2% of the total 2008 projects.

Milwaukee's City Hall is an architecturally significant landmark building listed in the National Register of Historic Places. City engineering staff determined that City Hall's tower, roof, and walls needed work to restore the buildings' exterior. The City Hall Restoration program was introduced in 2002 with a total estimated cost of \$76.5 million for both contractor and City in-house labor. The repair and restoration work to address the deterioration of key exterior elements such as brick, terra cotta, sandstone, windows, embedded structural steel, copper and slate roofing was awarded to J.P. Cullen & Sons, Inc. in 2005 for \$59.9 million. Work on this project is expected to continue through 2008. The 2008 capital budget includes \$6.3 million to complete this multi-year project. The 2008 capital budget also includes funding for the next phase of restoring City Hall with \$1.2 million for the first phase of the foundation and hollow walk repairs. A multi-year project, the Foundation and Hollow Walk Project for 2008 will consist of the selection of a professional design firm, a second opinion of work and project costs estimate, and completion of the design/contract documents for this project to be bid. This project will better determine the project's ultimate scope and cost. These two projects comprise over 12.5% of the new general obligation borrowing authorizations for 2008.

The City of Milwaukee street network includes approximately 1,400 miles of freeways, highways, arterials, collectors, and local roads. Government agencies other than the City are responsible for approximately 50 of these miles. Another 450 miles are part of the Federal Aid Transportation System eligible for federal, state and county funding and consist of arterials and collectors (the most important streets in the City that move the people, vehicles and commerce in the most efficient manner). Over the past five years, an average of \$33 million has been dedicated to the preservation and reconstruction of these vital streets; with \$8.7 million funded by the City capital budget and \$28.5 million provided by state and federal funding. These totals allowed the City to reconstruct nearly seven miles of payment each year. With this level of funding, the City's major streets are on a 67 year replacement cycle. The 2008 budget includes \$50.2 million for the Major Streets Program, with \$42.5 million financed by grants and will allow the City to resurface or reconstruct approximately 9.6 miles of streets. The remaining 900 miles of streets are the sole responsibility of the City. The 2008 budget includes \$6.5 million of new authority plus \$1.3 million of assessable budget previously authorized, and, with the State of Wisconsin's Local Road Improvement Program of \$1.1 million, this should result in over 12 miles of local streets are either resurfaced or reconstructed in 2008.

The Water Works Enterprise Fund capital improvements budget for 2008 totals \$13.1 million; a 48% decrease from the 2007 budget of \$25.1 million. In 2008, \$12.5 million is budgeted for a backup power generator at the Riverside Pumping Station. While an independent study completed in 2006 (commissioned after the 2003 blackouts in the Northeastern part of the county) found that while the probability of a blackout is low, the consequences of not having backup electric power are very high. Maintaining adequate water pressure in the distribution system during a blackout scenario is critical to reduce the risk of main breaks and water contamination. Providing backup power at all critical Water Works locations will cost an estimated \$23 million to \$25 million over six years.

CASH MANAGEMENT POLICIES AND PRACTICES

The City maintains a pooled cash and investment account that is available for use by all funds, except the Debt Service Fund, the Water Works Enterprise Fund and component entities which maintain separate cash and investments. Cash temporarily idle during the year and under the control of the City Treasurer was invested in demand deposits, certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and commercial paper (all of which are permissible under State Statutes). The average interest earnings rate for City funds invested by the City Treasurer was approximately 5.1 percent in 2007 as compared to 4.8 percent in 2006. The City continued to use the State of Wisconsin Local Government Investment Pool to provide flexibility for short-term investments while maintaining high standards of safety and liquidity. In 2007 the average daily investable balance was \$244.2 million as

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compared to \$275.3 million in 2006, an 11.3% decrease. The investable balance generates interest earnings for the City, which is used to offset the property tax levy.

During 2007, the City continued its prudent use of financing techniques and investment instruments to maximize its investment return while meeting on-going cash flow needs. The City's use of cash flow borrowing in anticipation of State Shared and State Equalization Aid Revenues totaled \$254 million in 2007, compared to \$241 million in 2006. The financing was accomplished through two separate offerings -- \$66 million General Obligation Cash Flow Promissory Notes in March 2007 for City purposes and \$188 million School Revenue Anticipation Notes in August 2007 for school purposes. The timing of these offerings provided the City with an opportunity to earn additional interest on investments and still comply with the requirements of the Tax Reform Act of 1986. The second borrowing represented a joint effort with Milwaukee Public Schools to finance school operations on an interim basis pending its receipt of State Equalization Aids and is not a general obligation of the City.

In addition, the City will continue its use of the State of Wisconsin's Clean Water Fund to finance sewer maintenance capital projects which began in June 2007. The Clean Water Fund provides below market interest loans to communities to finance storm-water control projects. This financing strategy will save ratepayer's money, as Clean Water funding and General Obligation bonds have a lower interest rate than revenue bonds. General Obligation debt will finance sewer capital projects that do not qualify for the Clean Water Fund. Also, new for 2008 is the issuance of commercial paper to finance various capital projects.

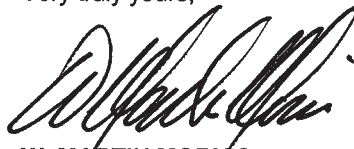
RISK MANAGEMENT

The City is self-insured for workers' compensation, employee Basic Plan health and dental insurance, uninsured motorist motor vehicle coverage for City employees, and general liability claims. With certain exceptions, it is the policy of the City not to purchase commercial insurance against property or liability risks. Instead, the City has found it is more economical to manage its risk internally, setting aside funds as needed for estimated current claim settlements and judgments through annual and supplemental appropriations as needed. The City does purchase and maintain limited coverage for certain facilities and employee bonding. Indemnity and insurance protection is also required of City contractors, vendors, lessees and permit holders.

ACKNOWLEDGEMENTS

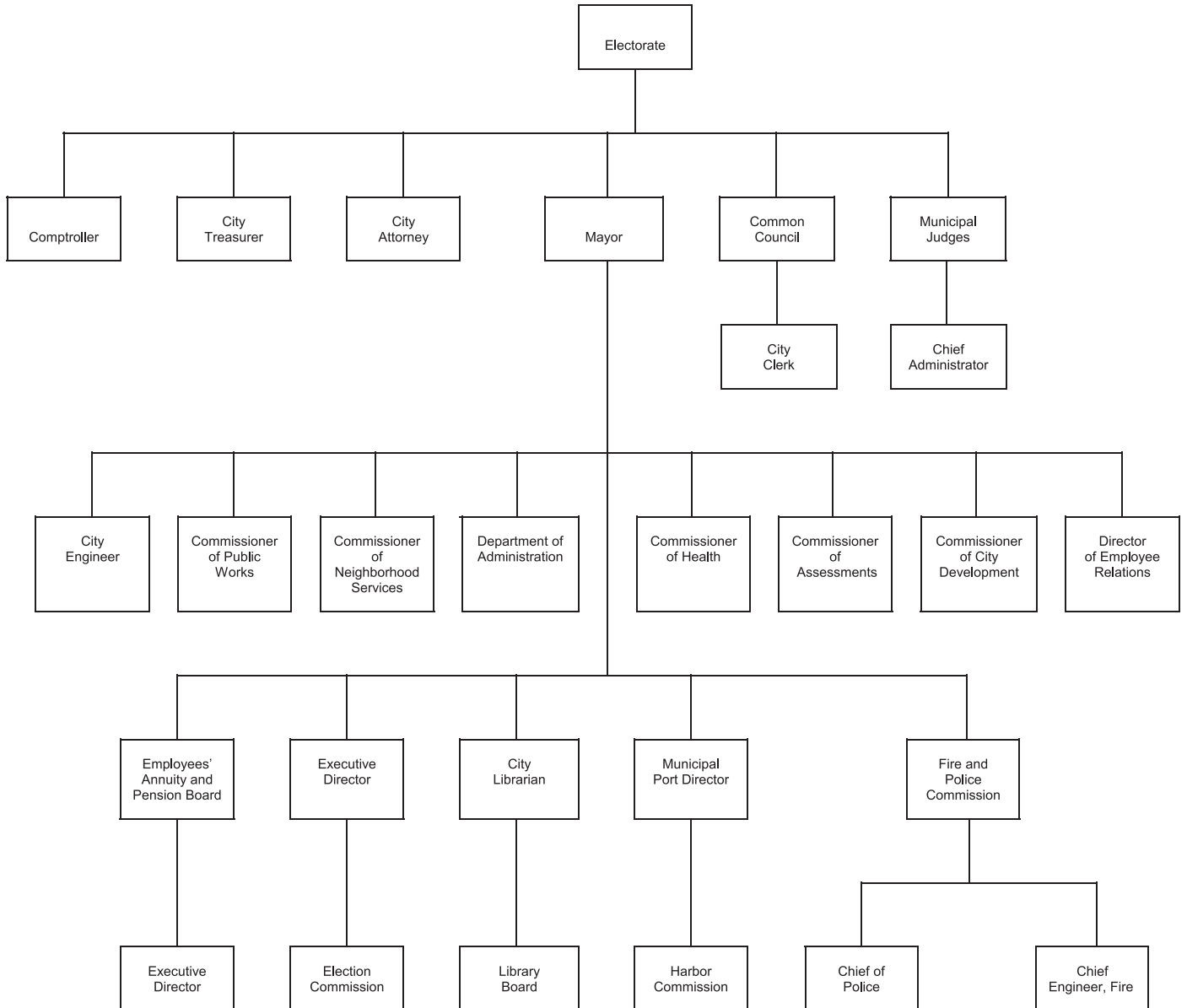
The Office of the Comptroller takes great pride in the preparation of this report. The professionalism, commitment and effort of each member of its General Accounting Division have made this presentation possible. The timely preparation of this report could not have been accomplished without the cooperation, dedication, and extensive involvement of the entire staff of the Office of the Comptroller and the able assistance of our independent auditors, KPMG LLP, as well as the accounting personnel of our component units. Special commendation and appreciation should be accorded to the dedicated staff of the Comptroller's Office in the preparation of this Comprehensive Annual Financial Report. In addition, I convey my appreciation to you and members of your respective staffs for your interest and support in planning and conducting the fiscal affairs of the City throughout the past year. The City will continue to remain fiscally sound through our cooperative efforts.

Very truly yours,



W. MARTIN MORICS
Comptroller

City of Milwaukee
ORGANIZATION CHART
DECEMBER 31, 2007



CITY OF MILWAUKEE
NAMES OF PRINCIPAL OFFICIALS
DECEMBER 31, 2007

ELECTED

Mayor	Thomas M. Barrett
Comptroller	W. Martin Morics
City Treasurer	Wayne F. Whittow
City Attorney	Grant F. Langley
Municipal Judge	Derek C. Mosley
Municipal Judge	Phillip M. Chavez
Municipal Judge	Valarie A. Hill

COMMON COUNCIL

President	Willie L. Hines, Jr.
-----------------	----------------------

Aldermanic District

First	Ashanti T. Hamilton
Second	Joseph L. Davis, Sr.
Third	Michael S. D'Amato
Fourth	Robert J. Bauman
Fifth	James A. Bohl, Jr.
Sixth	Michael I. McGee, Jr.
Seventh	Willie C. Wade
Eighth	Robert G. Donovan
Ninth	Robert W. Puente
Tenth	Michael J. Murphy
Eleventh	Joseph A. Dudzik
Twelfth	James N. Witkowiak
Thirteenth	Terry L. Witkowski
Fourteenth	T. Anthony Zielinski
Fifteenth	Willie L. Hines, Jr.

Alderman

FINANCE RELATED (Non-Elected)

Administration Director	Sharon D. Robinson
Budget & Management Director	Mark P. Nicolini
City Purchasing Director	Cheryl L. Oliva
Commissioner of Assessments	Mary P. Reavey
Chief Information Officer	Randolf A. Gschwind

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KPMG LLP
777 East Wisconsin Avenue
Milwaukee, WI 53202

Independent Auditors' Report

To the Honorable Members
of the Common Council
of the City of Milwaukee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Housing Authority of the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, the Milwaukee Economic Development Corporation, and the Neighborhood Improvement Development Corporation, which represents 100 percent of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The information in the management's discussion and analysis and budgetary comparison on pages 17 to 31; and Exhibit E-1, respectively, are not required parts of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods



of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, miscellaneous financial data and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section, miscellaneous financial data and statistical section have not been subjected to auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports dated July 30, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

KPMG LLP

Milwaukee, Wisconsin
July 30, 2008, except for the financial statements and related
note disclosures for the discretely presented component
units as to which the date is November 21, 2008.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Within this section of the City of Milwaukee Comprehensive Annual Financial Report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2007. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This *Management Discussion and Analysis* (MD&A) should be read in conjunction with the City's basic financial statements, which follow this discussion. Additional information is available in the letter of transmittal, which precedes Management's Discussion and Analysis. The MD&A focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

FINANCIAL HIGHLIGHTS

- The assets of the City of Milwaukee exceeded its liabilities at the close of fiscal year 2007 by \$1,028 million (net assets); \$376 million in governmental activities and \$652 million in business-type activities. Governmental activities' unrestricted assets are a deficit of \$299 million. This indicates that the City is financing long-term liabilities as they come due rather than when they are incurred. The City's net assets decreased 3.2% compared to the previous year of \$1,062 million.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$1,140 million include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$126 million are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted (\$238) million.
- The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions* effective for fiscal year 2007. This Statement requires the City to account for and report the value of its future other post-employment benefits (OPEB) obligation currently rather than on a pay-as-you-go basis. The actuarially required contribution (ARC) is \$67.6 million. The City's total annual OPEB pay-as-you-go obligation is \$29.4 million which increases the net OPEB obligation for 2007 at \$38.2 million.
- Total liabilities of the City decreased by \$24 million to \$1,487 million. Long-term liabilities of \$38.2 million for OPEB were added new this year with various reductions in other general obligation debt, claims and obligations.
- The City had governmental expenses of \$675.8 million more than its combined program revenues; general revenues and transfers of \$636.7 million and resulted in a \$39.1 million decrease of net assets. Business-type activities had an increase of net assets of .8% over 2006; generating \$5.2 million of program revenues, general revenues and transfers greater than its expense at year end.
- For governmental activities, program revenue supported 18% of the total expenses for 2007. Property taxes and other taxes represented 29% of the primary government's governmental activities' expenses, state aids for the General Fund equaled 33% and miscellaneous revenues and transfers supported 15% of the expenses. As a result of 2007 activity, expenses exceeded revenues and transfers by 5%.
- For business-type activities, program revenue supported 125.7% of the expenses for 2007; and, in total exceeded the expenses by \$39.6 million. Miscellaneous revenue net of transfers out reduced this excess to \$5.2 million for the year.
- The City's total governmental funds reported total ending fund balance of \$185.1 million this year. Compared to the prior year ending fund balance of \$270.6 million, a decrease of \$85.5 million resulted by year end 2007; a 31.6% decrease.
- The General Fund reported a positive fund balance for the year of \$90.9 million. Compared to \$105.2 million in 2006; 2007 balance decreased 13.6%. This decrease is a result of total expenditures and other financing uses totaling \$14.3 million more than the total actual revenues and other financing sources. This ending fund balance was 13.5% of total General Fund expenditures including transfers and 15.3% of total General Fund revenues including transfers.
- The operating expenditures of the General Fund were \$3.2 million less than budgeted. This favorable variance is a result of savings from general government departments of \$6.9 million with a combined savings of \$.4 in the culture and recreation departments, public safety departments and conservation and development department. These positive variances were offset by a deficit in the public works departments of \$4.1. Several major savings over the final budget for the year contributed to the total savings. A total of \$3.5 million in several departments was saved in HMO and pension

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

contribution payments. In addition, the combined savings from the Comptroller, Employees' Retirement and Department of Employee Relations resulted in a favorable variance in various fringe benefit costs that were allocated to capital projects rather than to general fund accounts, and thus saved \$.9 million for the year. The Department of Public Works Operations Department incurred a deficit of \$4.1 million relating to snow removal and cleanup efforts. December 2007 was the second snowiest December on record. Over 30.2 inches of snow fell in December compared to a normal average snow fall of 11.7 inches. The City plans to issue debt in 2008 to offset this deficit.

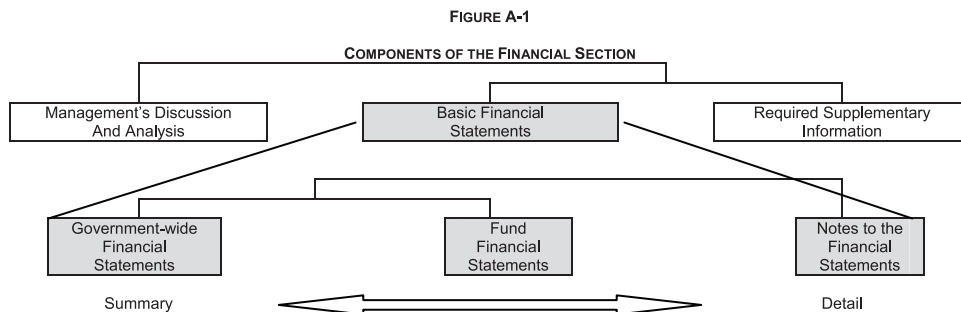
- General obligation bonds and notes payable decreased by \$79 million during the current fiscal year from \$807 million to \$728 million. The key factors contributing to this decrease were scheduled and early retirement of general obligation debt of \$34 million and the issuance of \$113 million less in new general obligation bonds and notes for the continuing funding of capital projects and the issuance of debt on behalf of the Milwaukee Public Schools.
- The City issued General Obligation Cash-flow Promissory Notes for \$66 million rather than Revenue Anticipation Notes in advance of receipt of the State Shared Revenues. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund (the legal fund established to pay the debt). The City issued similar debt in 2006.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements. The basic financial statements consist of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, (3) **Notes** to the financial statements. This report also includes other (4) **Required Supplementary Information**. Figure A-1 shows how the required parts of the annual report are arranged and relate to one another.

The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the government operates like businesses, such as the water and the sewer maintenance systems.
 - Fiduciary fund statements provide information about the financial relationships—like various benefit plans for the City's employees—in which the City is solely a trustee or agent for the benefit of others to whom the resources belong.



A summary of the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain are depicted in table Figure A-2. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

FIGURE A-2
 MAJOR FEATURES OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the city for basic governmental services	The day-to-day operating activities of the city for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Required financial statements	* Statement of net assets * Statement of activities	* Balance Sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of net assets * Statement of revenues, expenses, and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus, except agency funds do not have measurement focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; capital assets and long-term liabilities	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others and all liabilities
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the City's finances, in a manner similar to a private-sector business and include both long-term and short-term information about the City's financial status. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. All of the activities of the City, except those of a fiduciary nature, are included.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health, or financial position.

- Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating.
- Other non-financial factors, such as changes in the property tax base and the condition of the roads are needed to assess the overall health of the City.

The government-wide financial statements of the City of Milwaukee are reported into three categories on these statements—governmental activities, business-type activities, and component units. A total column for the City is also provided.

- The *governmental activities* include the basic services of the City including general government (administration), police, fire, public works, health, culture, and development services. Taxes and general revenues generally support these activities.
- The *business-type activities* include the private sector type activities such as the water, sewer user charge, sewer maintenance, parking, and port. User charges or fees primarily support these activities.
- *Component units*—The City includes four other entities in its report. The Housing Authority and the Redevelopment Authority of the City of Milwaukee, Milwaukee Economic Development Corporation and the Neighborhood Improvement Development Corporation. Although legally separate, these component units are important because the City has financial accountability responsibility.

Fund Financial Statements

The City's major funds begin with Exhibit A-1. The fund financial statements provide detailed information about the most significant funds; not the City as a whole. The accounts of the City are organized on the basis of funds. Each fund is a separate fiscal and accounting entity with a self-balancing set of accounts including assets, liabilities, equities, revenues and

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

expenditures or expenses, which is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

The City has three fund types: governmental and proprietary which use the modified accrual and the accrual methods of accounting, respectively, and fiduciary funds.

- **Governmental funds:** Most of the City's basic services are reported in governmental funds, which focus on the modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine if more or fewer financial resources are available to be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in the reconciliation at the bottom of the fund financial statements.
- **Proprietary funds:** Operations which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control and other purposes. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.
- **Fiduciary funds:** The City is the trustee, or fiduciary, for its pension and other employee benefit trusts and various miscellaneous private purpose trusts. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets in Exhibits C-1, C-2 and H-1. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes which follow Exhibits 1 through D-2 provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each major fund for which an annual budget is adopted. Required supplementary information is presented in Exhibit E-1.

Combining and Individual Fund Statements and Schedules and Miscellaneous Financial Data

Combining schedules provide detail in connection with nonmajor governmental funds and nonmajor enterprise funds. Individual fund statements provide greater detail, presented as compared with the final amended budget for the General Fund, and each nonmajor special revenue fund. Capital Projects are also presented in detail by major category (i.e. streets, sewers) within the Miscellaneous Financial Data Section. See Exhibits F-1 through I-9.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole. The net assets and net expenses of governmental and business-type activities are depicted separately below. Table 1 focuses on the net assets and Table 2 focuses on the changes in net assets.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

Table 1
Summary of Statement of Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type		Total Primary Government	
	2006	2007	2006	2007	2006	2007
Current and other assets	\$ 838,816	\$ 741,042	\$ 119,505	\$ 110,140	\$ 958,321	\$ 851,182
Capital assets	915,171	941,943	699,209	721,340	1,614,380	1,663,283
Total assets	<u>1,753,987</u>	<u>1,682,985</u>	<u>818,714</u>	<u>831,480</u>	<u>2,572,701</u>	<u>2,514,465</u>
Long-term liabilities outstanding	819,157	778,995	146,080	142,856	965,237	921,851
Other liabilities	519,563	527,822	26,195	36,936	545,758	564,758
Total liabilities	<u>1,338,720</u>	<u>1,306,817</u>	<u>172,275</u>	<u>179,792</u>	<u>1,510,995</u>	<u>1,486,609</u>
Net assets:						
Invested in Capital assets, net of related debt	500,045	558,328	554,966	581,594	1,055,011	1,139,922
Restricted	115,803	116,516	8,748	9,528	124,551	126,044
Unrestricted	<u>(200,581)</u>	<u>(298,676)</u>	<u>82,725</u>	<u>60,566</u>	<u>(117,856)</u>	<u>(238,110)</u>
Total net assets	<u>\$ 415,267</u>	<u>\$ 376,168</u>	<u>\$ 646,439</u>	<u>\$ 651,688</u>	<u>\$ 1,061,706</u>	<u>\$ 1,027,856</u>

Net assets of the City's governmental activities decreased 9.4% to \$376.2 million for 2007. These net assets are restricted as to use in the amount of \$116.5 or are invested in capital assets in the amount of \$558.3 (buildings, roads, bridges, etc) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The unrestricted net assets deficit (\$298.7) at the end of the year does not mean that the City does not have adequate financial resources available to pay its bills next year. Instead, it is because the City's annual budgets do not include the full amounts needed to finance future liabilities arising from property and casualty claims, and to pay for unused employee vacation and sick days, and debt not issued for City capital assets. The City will include these amounts in future years' budgets as they come due.

The net assets of business-type activities increased .8% to \$651.7 million in 2007. The City generally can only use these net assets to finance the continuing operations of the specific enterprise activity it relates to.

Long-term liabilities for both governmental and business-type activities decreased 4.9% and 2.2% respectively from 2006 due primarily by a decrease in the issuance of long-term debt.

Total assets, including capital assets decreased \$58.2 million or 2.3% from 2006. Capital assets of the primary government increased 3% from the previous year. For 2007, the Water Works and the Sewer Maintenance Funds have 92% of the City's total capital assets related to business-type activities. These are the City's two largest enterprise funds (business-type). The Water Works capital assets (52%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (40%) includes all the various sewer mains and connections.

Changes in net assets. The calculation of revenues less expenses is the change in net assets. The City's total program and general revenues totaled \$751.8 million for the governmental activities. Of revenues, 32% comes from property and other taxes and 46% comes from intergovernmental revenues (state aids, federal and state grants). Charges for services category represents only 10% of the total revenues, and the remaining 12% coming from licenses, permits, fines and forfeits and miscellaneous other sources.

The City's governmental activity expenses cover a range of services, with 36% related to public safety (fire and police, neighborhood services). The City's general expenses exceeded its program revenues for governmental activities by 82%; total general revenues combined with program revenue and transfers resulted in a negative change in net assets of \$39 million or 4.7% of total general expenses for governmental activities. The margin for business-type activities had 25.7% of program revenues greater than expenses and a 2.8% margin of total revenues more than expenses and transfers out. Chart 1 Expenses and Program Revenues – Governmental Activities and Chart 2 Expenses and Program Revenues – Business –type Activities depict this comparison.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

Table 2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table 2
Changes in of Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type		Total Primary Government	
	2006	2007	2006	2007	2006	2007
Revenues:						
Program revenues:						
Charges for services	\$ 73,528	\$ 76,496	\$ 180,122	\$ 187,493	\$ 253,650	\$ 263,989
Operating grants and contributions	91,271	75,074	-	-	91,271	75,074
Capital grants and contributions	-	-	7,780	6,062	7,780	6,062
General revenues:						
Property taxes and other taxes	236,043	243,654	-	-	236,043	243,654
State aids for General Fund	272,417	272,539	-	-	272,417	272,539
Miscellaneous	87,510	84,042	2,058	2,121	89,568	86,163
Total revenues	<u>760,769</u>	<u>751,805</u>	<u>189,960</u>	<u>195,676</u>	<u>950,729</u>	<u>947,481</u>
Expenses						
General government	179,647	204,724	-	-	179,647	204,724
Public safety	263,608	297,711	-	-	263,608	297,711
Public Works	154,644	155,288	-	-	154,644	155,288
Health	27,316	23,102	-	-	27,316	23,102
Culture and recreation	21,506	21,298	-	-	21,506	21,298
Conservation and development	66,092	70,025	-	-	66,092	70,025
Capital contribution to						
Milwaukee Public Schools	14,028	2,788	-	-	14,028	2,788
Contributions	25,412	21,915	-	-	25,412	21,915
Interest on long-term debt	32,131	30,536	-	-	32,131	30,536
Water	-	-	58,074	62,064	58,074	62,064
Sewer Maintenance	-	-	26,605	29,928	26,605	29,928
Parking	-	-	22,609	24,025	22,609	24,025
Port of Milwaukee	-	-	3,671	5,626	3,671	5,626
Metropolitan Sewerage District User Charges.	-	-	31,932	32,301	31,932	32,301
Total expenses	<u>784,384</u>	<u>827,387</u>	<u>142,891</u>	<u>153,944</u>	<u>927,275</u>	<u>981,331</u>
Increase in net assets before transfers	(23,615)	(75,582)	47,069	41,732	23,454	(33,850)
Special item - receipt of loans receivable	-	-	-	-	-	-
Transfers	33,569	36,483	(33,569)	(36,483)	-	-
Increase in net assets	9,954	(39,099)	13,500	5,249	23,454	(33,850)
Net assets – Beginning	<u>405,313</u>	<u>415,267</u>	<u>632,939</u>	<u>646,439</u>	<u>1,038,252</u>	<u>1,061,706</u>
Net assets – Ending	<u>\$ 415,267</u>	<u>\$ 376,168</u>	<u>\$ 646,439</u>	<u>\$ 651,688</u>	<u>\$ 1,061,706</u>	<u>\$ 1,027,856</u>

Governmental Activities

Revenues for the City's governmental activities were \$751.8 million, while total expenses were \$827.4 million for 2007. All revenues, excluding transfers, are supporting 91% of the total expenses; or 95.3% with transfers. Comparable data for 2006 indicates 97% of all revenues, excluding transfers and special items supported the 2006 expenses and, 101.3% with transfers.

Property taxes represent 32.4% of the total revenues for 2007 compared to 31% for 2006; a 3.2% increase. The increase in revenues is primarily due to an increase in collections. State aids for the General Fund of \$272.5 million decreased from 2006 by \$.1 million or .04%. The combined property taxes and state aids comprised approximately 68.7% of the total revenues for governmental funds in 2007 compared to 66.8% in 2006. Charges for services equaled 10.2% of the total revenues in 2007 compared to 9.7% in 2006.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

Governmental activities had expenses increase 5.5% in 2007 to \$827.4 million from \$784.4 million in 2006. Expenses for general government, which comprise 24.8% of the total expenses, increased 14% in 2007. Public safety expenses represent the largest category of governmental activities or 36% of the total expenses for 2007 which is an increase of 13% over 2006.

Chart 1
2007 Expenses and Program Revenues - Governmental Activities

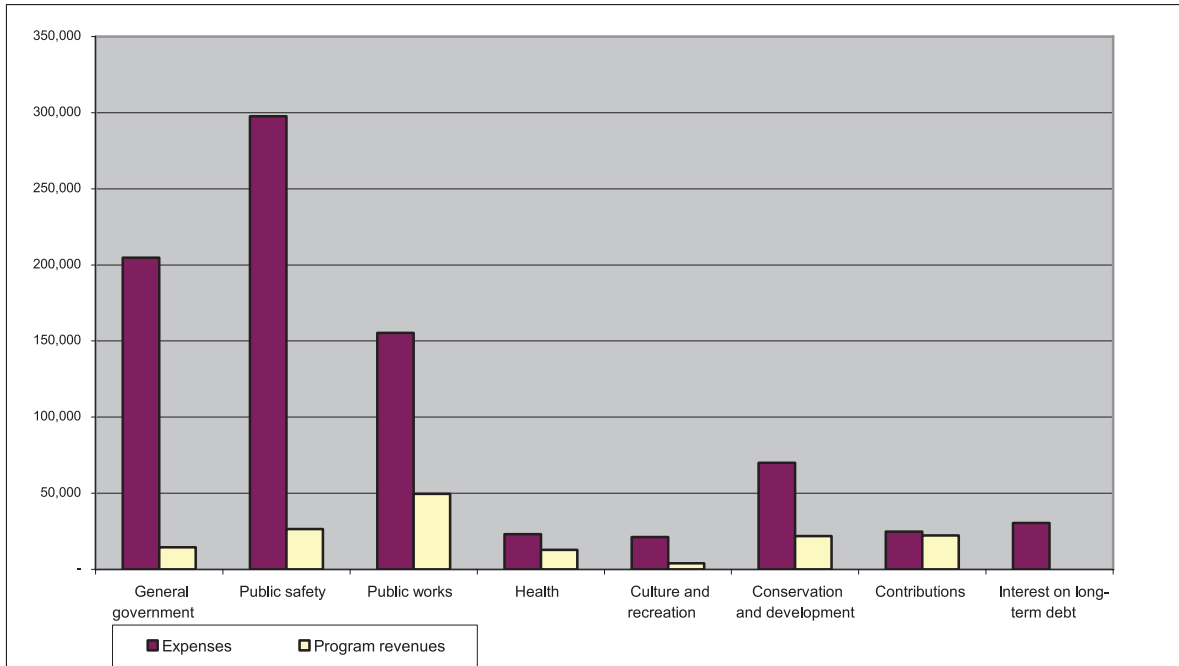


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most city departments, such as, Mayor, Common Council, Administration and Employee Relations, Municipal Court, City Attorney, Comptroller and Treasurer. Public safety includes Fire, Police and Neighborhood Services. The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

Table 3
Governmental Activities
(Thousand of Dollars)

	Total Cost of Services		Net Cost of Services	
	2006	2007	2006	2007
General government	\$ 179,647	\$ 204,724	\$ 165,232	\$ 190,243
Public safety	263,608	297,711	233,089	271,271
Public works	154,644	155,288	105,865	105,611
Health	27,316	23,102	9,295	10,375
Culture and recreation	21,506	21,298	17,087	17,244
Conservation and development	66,092	70,025	43,253	48,104
Contributions	39,440	24,703	13,633	2,433
Interest on long-term debt	32,131	30,536	32,131	30,536
Total Governmental Activities	<u>\$ 784,384</u>	<u>\$ 827,387</u>	<u>\$ 619,585</u>	<u>\$ 675,817</u>

The Table 3 above indicates that the cost of services not funded with direct program revenue for governmental activities increased in 2007 to \$675.8 million from \$619.6 million in 2006 or 9.1% change. For 2007, Public Safety's net cost of services represents the largest category of total expenses at 40.1%, an increase from 16% compared to 2006. The total costs of services increased overall by 5.5%. This indicates that total program revenue for the purposes is not increasing in proportion to the total cost of governmental services.

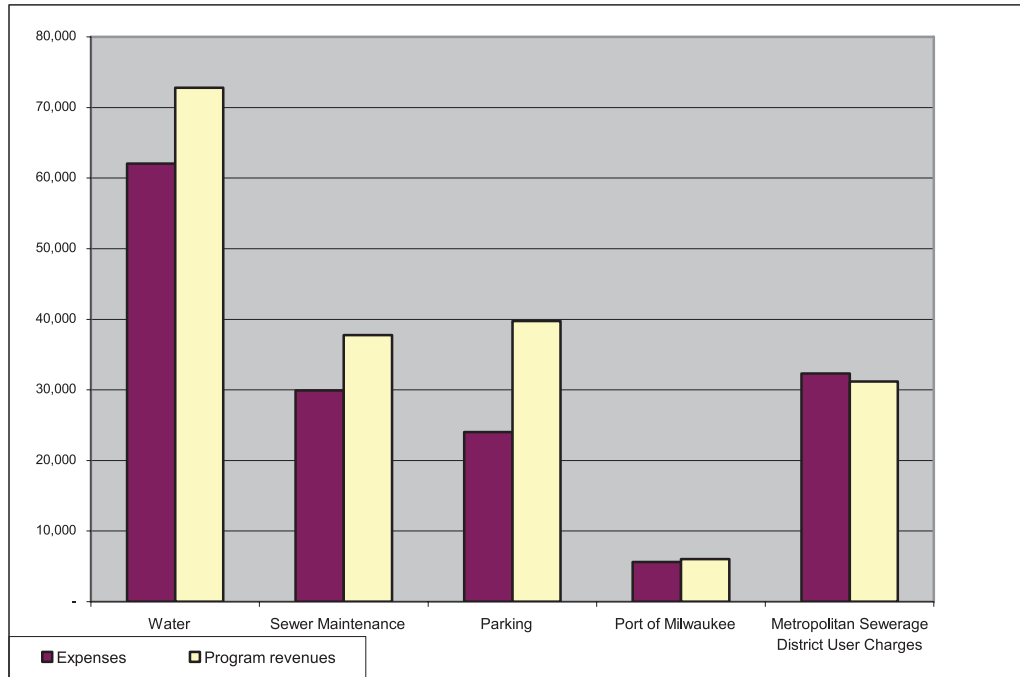
Business-type Activities

The three major enterprises or business-type activities are water, sewer maintenance and parking operations. The Water Works had operating expenses of \$60.7 million and operating income of \$11.8 million. The Sewer Maintenance had operating income of \$15.9 million after generating expenses of \$21.8 million. The City parking facilities operating expenses during 2007 were \$23.4 million with net operating income of \$15.9 million.

Total revenues on Table 2 shows an increase of \$5.7 million in 2007 compared to 2006, or 3%. Total expenses and transfers of all enterprise funds of the City increased \$13.9 million, from \$176.5 million in 2006 to \$190.4 million in 2006. This resulted in a change in net assets activity for the year 2007 of a decrease of \$8.3 million compared to 2006. The year-end Total Net Assets increased by \$5.2 million or .8%.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

Chart 2
2007 Expenses and Program Revenues - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

Governmental Funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. In particular, the Reserved for Tax Stabilization in the General Fund may serve as a useful measure for the City's net resources available for financing subsequent year's budget to help stabilize the tax rate. Types of Governmental Funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

As the City completed the year, its Governmental Funds (as presented in the balance sheet on Exhibits A-1) reported a combined fund balance of \$185.1 million, a decrease of \$85.5 million or 31.6% over last year. A major contributor for this decrease is due to a decrease in the issuance of general obligation debt in the Capital Projects Funds. As a result, the expenditures for various capital projects in advance of the issuance of debt resulted in a net fund deficit of \$67.2 million in 2007 from the positive fund balance at year end 2006 of \$14.5 million. Total debt issued for capital projects totaled \$135 million in 2006 compared to \$21.3 million in 2007. At year end, the capital projects with a fund deficit were Fire (\$984,000), Library (\$314,000), Playgrounds & Recreation (\$1,023,000), Police (\$1,535,000), Public Buildings (\$17,381,000), Sewers (\$487,000), Urban Renewal (\$525,000), Streets (\$7,943,000), and Tax Incremental Districts (\$26,066,000). The fund balance deficit of \$12,951,000 for special assessment capital projects remained constant compared to \$14,400,000 in 2006. This deficit is due to the financing of capital projects prior to the issuance of the special assessment bills. These bills, if over \$125 are payable over six years. Other capital projects such as bridges and special projects netted a positive fund balance at year end of \$2,016,000.

The total reserves of the General Fund decreased 13.6% to \$90.9 million from \$105.2 million in 2006. Of this amount, \$29.5 will finance the 2008 budget, with \$33.2 available for 2009 and subsequent years' budgets.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Chart 3 and 4 graphically depict the spending by function and revenues by sources for all governmental funds. Revenues for governmental functions overall totaled \$747.9 million in the fiscal year ended December 31, 2007, which represents a decrease of approximately 1.3% from the fiscal year ended December 31, 2006. Expenditures for governmental funds totaled \$979.9 million, an increase of .5%. In the aggregate, expenditures exceeded revenues by \$232 million, or approximately 31%. Other financing sources closed the gap, leaving the total net change in fund balances with a decrease of \$85.5 million for the year. In comparison for the year 2006 the total net change in fund balances resulted in an increase of \$41.5 million. Other financing sources include proceeds from issuance of debt and transfers from enterprise funds and receipt of loans receivable transferred from the Neighborhood Improvement Development Corporation component unit.

Chart 3
2007 City Spending by Function - Governmental Funds

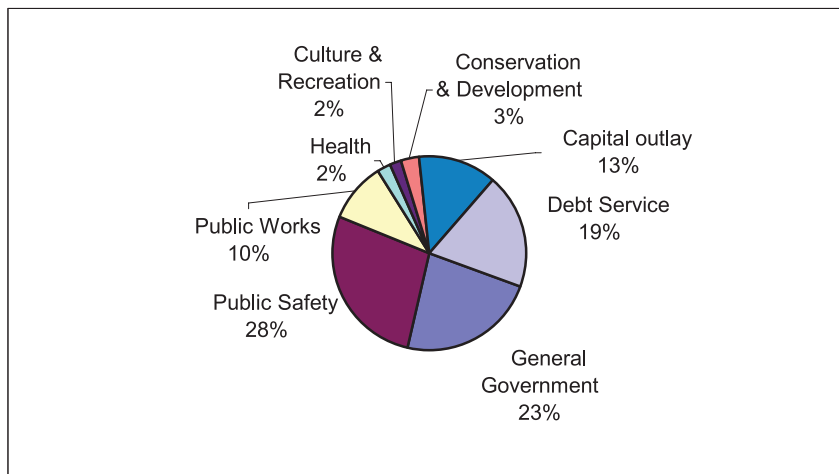
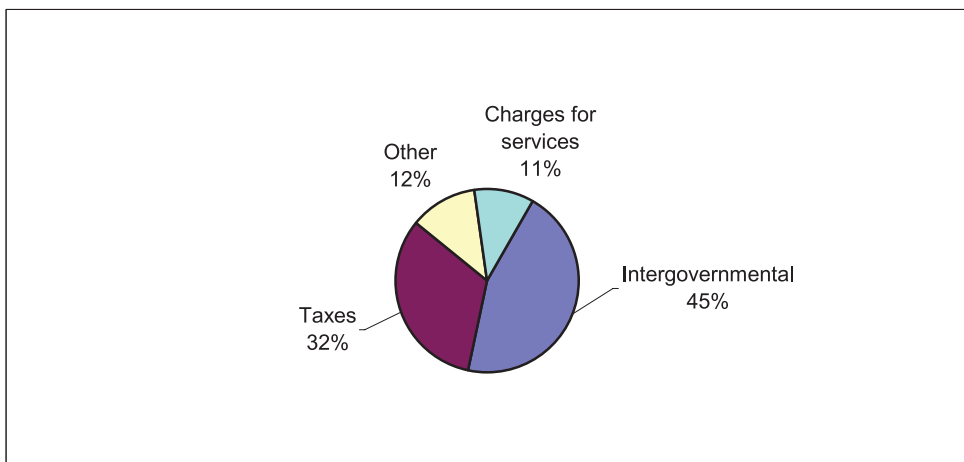


Chart 4
2007 Revenues by Source - Governmental Funds



Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund decreased by \$14.3 million or 13.6%. Key factors contributing to this decrease are revenues and other

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

financing sources totaled approximately \$658.8 million and expenditures and other financing uses totaled approximately \$673.1 million - detailed in Table 4 below. While revenues remained consistent with the prior year (decreasing by .44% over 2006), expenditures increased 5.76% over 2006, the net result ended with expenditures exceeding revenues by 9.56%. Other Financing Sources (consisting of debt proceeds and transfers in from other funds), exceeded Other Financing Uses (consisting of transfers out to other funds) by \$38.5 million. In addition, \$23.2 million was withdrawn from the Reserve for Tax Stabilization to fund the 2007 general fund budget. This was an increase of \$6.9 million from 2006.

Total General Fund revenues for 2007 totaled \$552.3 million. The largest revenue category is intergovernmental at \$272.5 million with 49.4% of the total revenue. The second largest revenue source is Property Taxes with \$137.3 million or 24.9%. Charges for Services, which includes revenues for services provided by City departments, comprises 13.9% or \$76.5 million. These three categories combined comprise 88% of the total revenues for 2007. The largest increase in revenues compared to 2006 was the Other category with an 8.82% increase.

The following table (Table 4) presents a summary of revenues and expenditures of the General Fund compared to prior year:

Table 4
General Fund
Summary of Revenues, Expenditures and Other Financing Sources and Uses
(Thousands of Dollars)

Revenues and Other Financing Sources				Expenditures and Other Financing Uses			
Revenues:	2006	2007	% Change	Expenditures:	2006	2007	% Change
Property taxes	\$ 141,102	\$ 137,253	-2.73%	General Government.....	\$ 203,416	\$ 222,781	9.52%
Other taxes	5,202	5,311	2.10%	Public Safety.....	250,672	257,137	2.58%
Licenses and permits	13,729	13,704	-0.18%	Public Works.....	86,482	93,956	8.64%
Intergovernmental	272,417	272,539	0.04%	Health.....	10,428	10,359	-0.66%
Charges for services	73,528	76,496	4.04%	Culture and recreation	17,882	17,548	-1.87%
Fines and forfeits	5,541	5,800	4.67%	Conservation and			
Contributions received	25,807	22,270	-13.71%	development	3,217	3,279	1.93%
Other	17,353	18,883	8.82%		-	-	
Total Revenues	554,679	552,256	-0.44%	Total Expenditures	572,097	605,060	5.76%
Other Financing Sources				Other Financing Uses			
Debt proceeds	66,000	66,000		Transfers out	67,630	68,079	225%
Transfers in	38,996	40,561	4.01%	Total Expenditures			
Total Revenues and				and other Financing			
Other Financing Sources .	<u>659,675</u>	<u>658,817</u>	-0.13%	Uses	<u>\$ 639,727</u>	<u>\$ 673,139</u>	5.22%
Excess of Revenues							
over Expenditures	<u>(17,418)</u>	<u>(52,804)</u>	203.16%				
Net Change in							
Fund Balance	<u>\$ 19,948</u>	<u>\$ (14,322)</u>	-171.80%				

Beginning in 2006, the City issued General Obligation Cash-flow Promissory Notes rather than Revenue Anticipation Notes in advance of receipt of the State Shared Revenues. For 2007, \$66 million was issued. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund (the legal fund established to pay the debt).

The General Obligation Debt Service Fund increased its fund balance from \$52.3 million to \$56.8 million or 8.6%. The Public Debt Amortization Fund showed a decrease of 4.6% from \$73.6 million to \$70.2 million at year-end for its fund balance due to principal payment of \$4.2 million. Total revenues of the General Obligation Debt Service decreased slightly from \$89.9 million in 2006 to \$88.1 million in 2007. Revenues combined with Other Financing Sources totaled \$195.1 million; expenditures combined with Other Financing Uses totaled \$190.6 million; resulting in a Net Change in Fund Balance for year end 2007 of \$4.5 million.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Capital Projects Funds are used to account for the financial resources segregated for the acquisition or construction, repair of major capital facilities other than those financed by proprietary funds. At year end, 2007 showed a fund balance deficit of \$67.2 million (a decrease in the fund balance of \$81.7 million attributed to the accumulated fund balance of \$14.5 million in 2006). In 2007, total debt proceeds amounted to \$21.3 million as compared to \$135 million in 2006, an 84.2% decrease. Total revenues increased 3.5% from \$25.9 million to \$26.8 million; expenditures decreased from \$145.1 million to \$127.3 million or 12.3%. The issuance of bonds and notes during 2007 for capital purposes combined with revenues and transfers were insufficient to cover the current year's expenditures in total and resulted in a deficit in fund balance at year end 2007.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status, but in more detail.

At the end of the fiscal year, the total unrestricted net assets for all enterprise funds were \$60.6 million. This was a decrease from \$82.7 million at December 31, 2006 or 26.7%. This decrease consists of \$3.8 million in Water Works, \$15.5 million in Sewer Maintenance, \$2.1 million in Parking and \$.7 million in the nonmajor enterprise funds.

Total operating revenues of the enterprise funds increased 4.4% from 2006 - \$178.9 million to \$186.8 million in 2007; total operating expenses increased to \$143.7 in 2007 from \$132.8 in 2006 or 8.2%. The Water Works is the largest enterprise activity for the City, comprising approximately 38.8% of the total operating revenues. The Sewer Maintenance Fund comprises 20.2% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2007 Water Works and Sewer Maintenance operating revenues increased 4.4% and 10.2%, respectively; all other enterprise funds combined increased by 1.73%. Water Works non-operating revenues for 2007, which is mainly composed of interest income, increased by 7.8% or \$146,000 from 2006. While the interest income increased only 1.1% over 2006, other miscellaneous non-operating revenue increased from \$176,000 to \$304,000 in 2007. These miscellaneous revenues consisted of fees for servicing of branch water mains and water tapping service combined with a higher rate charge in 2007; in addition, rental income on antennas increased due to renegotiated contract fees.

The Water Works had total operating and non-operating expenses of \$62.1 million for 2007 compared to \$58.1 million for 2006. Excluding depreciation expense, operating expenses increased over the previous year by \$3.8 million or 8.8%. The non-operating expenses of the Water Works decreased by \$276,000 due to the declining principal balances on outstanding debt.

The total operating expenses of all the enterprises funds, except Water Works, increased approximately 8.7% over 2006.

General Fund Budgetary Highlights

Over the course of the year, the City Council adopted six resolutions which increased the appropriations of the General Fund due to greater than anticipated revenues. These increased budgets permitted departments to spend additional appropriations due to the increase in revenues related to the purpose being expended. Specifically, \$35,258 for the Department of Administration relating to the Automated Mapping and Land Information System (MCAMLIS) reimbursed by Milwaukee County, \$74,122 for City Clerk cable purposes, \$120,000 for Department of Neighborhood Services razing activities, and, \$10,775 for the Special Purpose non-departmental account for Firemen's Relief were increased. In addition, Other Financing Sources for contributions received were increased \$684,500 relating to Federal Forfeiture activities for the Police Department.

The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2006 less the encumbrances carried over to 2008. The Final budget includes the original budget as defined plus appropriations authorized for carry over from 2006 by Common Council less those appropriations authorized for carryover to 2008. In addition, certain appropriations are budgeted in a general non-departmental account (i.e. contingency) and are only transferred from this non-departmental appropriation account to specific departments to expend after authorization by the Common Council. These appropriation adjustments are part of the final budget. As detailed in Required Supplementary Information Section, Exhibit E-1, the General Fund original budget for expenditures was \$574.5 million with the final budget at \$586.5 million. This is an increase over the fiscal year 2006 with original budget at \$562.3 million and final budget at \$565.8 million. The resulted increase was 2.2% and 3.7% for the original and final budgets, respectively.

The original budget relating to estimated revenues of the General Fund was \$524.7 million with the final budget increasing by \$240,000 to \$524.9 million per the authorized resolutions detailed above. The 2007 original and final budgets as depicted in

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Exhibit E-1 show a 1.2% and 1.1%, respectively, net change from the previous year's original 2006 budget and final 2006 budget of \$518.7 million and \$519.0 million, respectively.

For the fiscal year ended December 31, 2007, the General Fund had a positive variance of \$5.0 million in revenues over estimated revenues. Most actual revenue categories increased compared to 2006 in a range from .04% in Intergovernmental to 8.82% in Other. Licenses and Permits decreased .18% from 2006 by \$25,000 and Property Taxes decreased 2.73% or \$3.8 million. An overall revenue increase of \$1.1 million over 2006's total revenue of \$528.9 million calculates to total revenue for 2007 of \$530 million, or a .2% increase. While the categories indicate various individual fluctuations, two of the noteworthy changes over 2006 actual revenue include \$3.0 million increase in Charges for Services, with no one particular revenue source contributing to this increase. However, three accounts have major increases: Fire paramedic revenue increased \$.8 million over 2006; Department of Public Works had two new revenue sources: \$.8 million for conduit rental and \$.3 for litter nuisance. The Other category increased \$1.5 million from 2006; interest income on investments is included in this category. Interest earnings revenue increased \$.47 million due to a combination of rate increase and available investable balance. The average interest rate of return on the pooled investments with the State's Local Government Pooled Investment Fund was 5.095% compared to 4.78% in 2006 with a decrease in the average investable balance from \$275.3 million in 2006 to \$244.2 million in 2007.

A favorable variance of \$3.2 million in unexpended budget resulted by year end 2007. The general government contributed \$6.9 million; public works reduced the favorable variance by \$4.1, and public safety, health culture and recreation and conservation and development, in the aggregate, added \$.4 million. A total of \$3.5 million in several departments was saved in HMO and pension contribution payments. In addition, the combined savings from the Comptroller, Employees' Retirement and Department of Employee Relations resulted in a favorable variance in various fringe benefit costs that were allocated to capital projects rather than to general fund accounts, and thus saved \$.9 million for the year. The Comptroller saved \$1 million on prior year appropriations carried over for debt related issues which did not materialize. Minor savings in other general government departments make up the remaining savings of \$1.5 million. The Department of Public Works Operations Department incurred a deficit of \$4.1 million relating to snow removal and cleanup efforts. December 2007 was the second snowiest December on record. Over 30.2 inches of snow fell in December compared to a normal average snow fall of 11.7 inches.

Overall the total 2007 budgeted expenditures increased \$36.6 million compared to 2006 or 6.7%. Salaries and Wages increased \$7 million or 2.1%, Other Operating Costs increased \$30.1 million or 14.7% and Equipment decreased \$459,000 or 6.8% as a result of less equipment purchases in Fire and Library equipment.

The City's General Fund's beginning fund balance of \$105.2 million as reported on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance differs from the General Fund's budgetary fund balance reported in the budgetary comparison schedule by the amount of the budgeted withdrawal from the Reserve for Tax Stabilization of \$23.2 million. For 2007, expenditures exceeded appropriations in the General Fund in the net amount of \$4.1 million. The Department of Public Works snow plowing operations were overdrawn \$4.2 million. The Council has approved the issuance of short-term promissory notes to fund this deficit in 2008.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of December 31, 2007 total \$1,663.3 million (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, machinery and equipment, furniture and furnishings, non-utility property, and construction in progress. The total increase in the City's capital assets for the current fiscal year was \$49 million or 3%. Governmental activities' capital assets increased \$26.8 million or a 2.9% increase from 2006. Business-type activities' capital assets increased \$22.1 million or 3.2% at the end of 2007. A schedule comparing the assets by type for 2006 and 2007 for both governmental and business-type activities is depicted in Table 5 below. The net change in assets as detailed in Note 4 reports that additions were \$35.6 million and deletions were \$8.8 million for 2006 for governmental activities. The Sewer Maintenance Fund had a net change in capital assets that resulted in an increase of \$18.4 million. Of the sewer maintenance fund's net assets at year end, 86.2% relate to the sewer mains infrastructures. Infrastructure net assets of the Water Works comprise 64.2% of its total net assets with 29.5% consisting of machinery and equipment. The total net change in all water works net assets was an increase of 1.7%.

Debt issued to finance tax incremental districts (TID) consists of \$141.1 million outstanding at year end. The majority of these expenditures have no related assets for TID, so net increases in TID debt reduce unrestricted net assets by an equal amount.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2007

In addition, debt issued for school purposes at year end was \$93.5 million. The Milwaukee Public Schools (MPS) is a separate governmental entity. By State Statutes, MPS cannot issue its own debt. As a result, the City issues debt for schools purposes. The City has the option of providing funds from its treasury or issue debt to finance school construction, operations and/or maintenance. The City chooses to issue debt. The MPS's assets are not an asset of the City and as a result, reduces unrestricted net assets by an equal amount.

Table 5
Capital Assets
 (net of depreciation)
 (Thousands of Dollars)

	Governmental Activities		Business-type		Total Primary Government	
	2006	2007	2006	2007	2006	2007
Capital assets not being depreciated:						
Land	\$ 164,425	\$ 163,769	\$ 18,309	\$ 16,115	\$ 182,734	\$ 179,884
Construction in progress	75,228	106,357	40,865	52,699	116,093	159,056
Capital assets being depreciated:.....						
Buildings	191,225	194,137	84,261	85,000	275,486	279,137
Infrastructure	1,316,526	1,337,345	638,099	664,521	1,954,625	2,001,866
Improvements other than buildings	11,036	11,198	25,183	27,300	36,219	38,498
Machinery and equipment	138,418	145,659	210,915	211,715	349,333	357,374
Furniture and furnishings	-	-	70	77	70	77
Nonutility property	-	-	5,317	5,316	5,317	5,316
Accumulated depreciation	(981,687)	(1,016,522)	(323,810)	(341,403)	(1,305,497)	(1,357,925)
Total	\$ 915,171	\$ 941,943	\$ 699,209	\$ 721,340	\$ 1,614,380	\$ 1,663,283

Debt

At year-end, the City had \$728.3 million in general obligation bonds and notes, and \$64.7 million in revenue bonds outstanding as itemized in Table 6.

Table 6
Outstanding Debt
General Obligation and Revenue Bonds
 (Thousand of Dollars)

	Governmental Activities		Business-type		Total Primary Government	
	2006	2007	2006	2007	2006	2007
General obligation bonds (backed by the City)	\$ 733,327	\$ 669,404	\$ 74,135	\$ 58,936	\$ 807,462	\$ 728,340
State loans	-	-	-	14,369	-	14,369
Revenue bonds (backed by specific fee revenues)	-	-	68,150	64,711	68,150	64,711
Total	\$ 733,327	\$ 669,404	\$ 142,285	\$ 138,016	\$ 875,612	\$ 807,420

New debt (excluding refunding bonds) issued for general obligation bonds and notes totaled \$115.8 million, of which \$12.9 million related to Sewer Maintenance, Parking, and Port Enterprises.

The City continues to maintain high investment grade ratings from the three major rating agencies. A rating of AA+ from Fitch Ratings, AA from Standard and Poor's Corporation, and Aa2 from Moody's Investors Service, Inc, were received on the City's June 2007 general obligation bonds issues.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

The city's gross general obligation debt per capita, excluding enterprise fund debt, was \$1,153 at the end of 2006, and \$1,038 at the end of 2007; a 10.0% decrease from the prior year. As of December 31, 2007, the City's outstanding net general obligation debt was 2.03% of the City's total taxable value of property. (Statistical Section - Table 9) The legal debt limit is 7% of equalized property value, including Milwaukee Public Schools debt, which also is issued by the City. Excluding the 2% limit on School debt, the City has a 5% legal debt limit and has reached about 44.4% of this limit. The City issues general obligation notes to purchase a portion of General Fund delinquent taxes. During 2007, notes were issued in the amount of approximately \$15.6 million. Collections on these taxes and related interest will be used to meet the related debt service requirements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Total property taxes levied for all funds of the City in 2007 for 2008 purposes increased \$.02 cents per thousand dollars of assessed valuation to a rate of \$8.01.

The property tax levy will provide \$104 million revenue for the general city purposes budget in 2008. This represents an increase of \$8 million from 2007 or 8.4%. The total city tax levy increased from \$220.1 million for 2007 to \$227.5 million for 2008 or a \$7.4 million increase. The resulting property tax rate of \$8.01 is a 2 cent increase from the 2007 rate of \$7.99 per \$1,000 of assessed valuation. The 2008 budget includes \$80.6 million in revenue from charges for services, an increase of \$3.8 million. This category of funding encompasses revenue received for services provided by City operating departments. The solid waste fee is the largest revenue source in this category and is expected to generate \$25 million for 2008. This specific fee represents 31% of the total charges for services in the 2008 budget.

Estimated intergovernmental revenues, primarily from the State of Wisconsin, are projected to be \$271.3 million; a decrease of \$1.8 million from 2007 or less than one percent.

The 2008 adopted City Budget is about \$1.2 billion with the budget for the General Fund at \$642.1 million. The General Fund budgets increased more than 2.9% over the 2007 budget of \$624.3 million. Of this increase, 42.3% is attributable to two areas. In 2008, the City will pay \$109.9 million for health insurance and related costs compared to \$106.7 million budgeted for 2007, an increase of 3.0%. Another major increase involves the cost of the pending labor contract settlements and cost of living rate increases; \$12.7 million has been increased over 2007 of \$9.7 million. Estimated Full-time Equivalents (FTE) for all General Fund Departments have a budgeted increase of 33 with the Police Department having an increase of 48 and the Fire Department having a decrease of 14 FTE's for 2008.

The unemployment rate for 2007 is 6.5 percent, the same as in the previous year; but, down from the record high over the last ten years of 8.9 percent which occurred in 2002. The per capita income for the most recent fiscal year available (2006) was \$34,128 (a 4.9% increase from 2005).

The City's population over the last five years is depicted in the table below. This data is estimated from the Wisconsin Department of Revenue used in the distribution of State Shared Taxes and differs from the U.S. Census Bureau. The U.S. Census Bureau has accepted the City's challenge that Milwaukee's 2006 population should be 602,782 instead of the Census' original figure of 573,358. As a result, Milwaukee moves from the 25th largest city in the U.S. to the 22nd largest.

2003	595,245
2004	593,920
2005	592,765
2006	590,370
2007	596,974

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it received. If you have questions about this report or need additional financial information, contact the City of Milwaukee, Office of the City Comptroller, Office, City Hall, 200 East Wells Street Room 404, Milwaukee, WI 53202.

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**BASIC
FINANCIAL
STATEMENTS**

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
December 31, 2007
(Thousands of Dollars)

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 231,249	\$ 59,552	\$ 290,801	\$ 54,257
Investments	8,910	-	8,910	6,478
Receivables (net):				
Taxes	180,873	-	180,873	-
Accounts	17,318	33,368	50,686	2,145
Unbilled accounts	748	14,043	14,791	-
Special assessments	15,157	-	15,157	-
Notes and loans	54,173	-	54,173	77,014
Accrued interest	1,734	156	1,890	2,691
Due from component units	17,503	-	17,503	-
Due from primary government	-	-	-	268
Due from other governmental agencies	204,270	-	204,270	18,405
Inventory of materials and supplies	6,595	2,345	8,940	-
Inventory of property for resale	26	-	26	13,471
Prepaid items	165	94	259	1,406
Deferred charges	2,321	479	2,800	1,308
Other assets	<u>-</u>	<u>103</u>	<u>103</u>	<u>278</u>
Total non-capital assets	<u>741,042</u>	<u>110,140</u>	<u>851,182</u>	<u>177,721</u>
Capital assets:				
Capital assets not being depreciated:				
Land	163,769	16,115	179,884	57,965
Construction in progress	106,357	52,699	159,056	49,205
Capital assets being depreciated:				
Buildings	194,137	85,000	279,137	423,983
Infrastructure	1,337,345	664,521	2,001,866	-
Improvements other than buildings	11,198	27,300	38,498	599
Machinery and equipment	145,659	211,715	357,374	4,238
Furniture and furnishings	-	77	77	-
Nonutility property	-	5,316	5,316	-
Accumulated depreciation	<u>(1,016,522)</u>	<u>(341,403)</u>	<u>(1,357,925)</u>	<u>(221,517)</u>
Total Capital Assets	<u>941,943</u>	<u>721,340</u>	<u>1,663,283</u>	<u>314,473</u>
Total Assets	<u>1,682,985</u>	<u>831,480</u>	<u>2,514,465</u>	<u>492,194</u>

Exhibit 1 (Continued)

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (Thousands of Dollars)

Exhibit 2

		Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs	Expenses			
Primary government:				
Governmental Activities:				
General government	\$ 204,724	\$ 12,408	\$ 2,073	\$ -
Public safety	297,711	15,121	11,319	-
Public works	155,288	45,855	3,822	-
Health	23,102	798	11,929	-
Culture and recreation	21,298	1,888	2,166	-
Conservation and development	70,025	426	21,495	-
Capital contribution to Milwaukee Public				
Schools	2,788	-	-	-
Contributions	21,915	-	22,270	-
Interest on long-term debt	30,536	-	-	-
Total Governmental Activities	827,387	76,496	75,074	-
Business-type Activities:				
Water	62,064	72,808	-	2,178
Sewer Maintenance	29,928	37,756	-	3,265
Parking	24,025	39,730	-	-
Port of Milwaukee	5,626	6,034	-	619
Metropolitan Sewerage District				
User Charges	32,301	31,165	-	-
Total Business-type Activities	153,944	187,493	-	6,062
Total Primary Government	\$ 981,331	\$ 263,989	\$ 75,074	\$ 6,062
Component units:				
Housing Authority	\$ 82,289	\$ 19,299	\$ 43,179	\$ 16,061
Redevelopment Authority	12,866	5,863	7,739	13,263
Milwaukee Economic Development Authority	4,133	3,642	2,444	-
Neighborhood Improvement Development Corporation				
Corporation	1,369	792	587	-
Total Component Units	\$ 100,657	\$ 29,596	\$ 53,949	\$ 29,324

General revenues:

Property taxes and other taxes
State aids for General Fund
Miscellaneous
Transfers
Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning, as restated

Net Assets - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (190,243)		\$ (190,243)	
(271,271)		(271,271)	
(105,611)		(105,611)	
(10,375)		(10,375)	
(17,244)		(17,244)	
(48,104)		(48,104)	
(2,788)		(2,788)	
355		355	
<u>(30,536)</u>		<u>(30,536)</u>	
<u>(675,817)</u>		<u>(675,817)</u>	
-	\$ 12,922	12,922	
-	11,093	11,093	
-	15,705	15,705	
-	1,027	1,027	
-			
-	(1,136)	(1,136)	
-	39,611	39,611	
<u>(675,817)</u>	<u>39,611</u>	<u>(636,206)</u>	
			\$ (3,750)
			13,999
			1,953
			<u>10</u>
			<u>12,212</u>
243,654	-	243,654	-
272,539	-	272,539	-
84,042	2,121	86,163	5,474
36,483	(36,483)	-	-
<u>636,718</u>	<u>(34,362)</u>	<u>602,356</u>	<u>5,474</u>
(39,099)	5,249	(33,850)	17,686
<u>415,267</u>	<u>646,439</u>	<u>1,061,706</u>	<u>290,428</u>
<u>\$ 376,168</u>	<u>\$ 651,688</u>	<u>\$ 1,027,856</u>	<u>\$ 308,114</u>

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**FUND
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit A-1

	General
ASSETS	
Assets:	
Cash and cash equivalents	\$ 69,534
Investments	218
Receivables (net):	
Taxes	113,903
Accounts	16,699
Unbilled accounts	748
Special assessments	-
Notes and loans	99
Accrued interest	1,302
Due from other funds	78,660
Due from component units	3,370
Due from other governmental agencies	523
Advances to other funds	14,032
Inventory of materials and supplies	6,226
Inventory of property for resale	26
Prepaid items	165
Total Assets	<u>\$ 305,505</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 28,598
Accrued expenses	27,915
Due to other funds	898
Due to component units	-
Due to other governmental agencies	-
Deferred revenue	157,241
Revenue anticipation notes payable	-
Advances from other funds	-
Total Liabilities	<u>214,652</u>
Fund Balances:	
Reserved for debt service	-
Reserved for delinquent taxes receivable	-
Reserved for economic development	-
Reserved for encumbrances, prepaids, and carryovers	21,376
Reserved for inventory	6,252
Reserved for mortgage trust	218
Reserved for environmental remediation	303
Reserved for tax stabilization - 2008	29,457
Reserved for tax stabilization - 2009 and subsequent years' budgets and advances to other funds	33,247
Unreserved:	
Undesignated	-
Special assessment (deficit)	-
Total Fund Balances	<u>90,853</u>
Total Liabilities and Fund Balances	<u>\$ 305,505</u>

The notes to the financial statements are an integral part of this statement.

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 102,295	\$ 42,543	\$ 2,142	\$ 14,735	\$ 231,249
-	8,692	-	-	8,910
53,925	-	4,787	8,258	180,873
-	-	264	355	17,318
-	-	-	-	748
-	-	15,157	-	15,157
14,929	18,838	-	20,307	54,173
310	122	-	-	1,734
-	-	-	-	78,660
13,966	-	-	167	17,503
188,000	-	5,049	10,698	204,270
-	-	-	-	14,032
-	-	369	-	6,595
-	-	-	-	26
-	-	-	-	165
<u>\$ 373,425</u>	<u>\$ 70,195</u>	<u>\$ 27,768</u>	<u>\$ 54,520</u>	<u>\$ 831,413</u>
\$ 3	\$ -	\$ 10,270	\$ 4,250	\$ 43,121
68	-	260	199	28,442
6,522	-	46,983	6,184	60,587
-	-	158	110	268
-	-	-	429	429
122,054	-	23,258	8,910	311,463
188,000	-	-	-	188,000
-	-	14,032	-	14,032
<u>316,647</u>	<u>-</u>	<u>94,961</u>	<u>20,082</u>	<u>646,342</u>
56,778	70,195	-	9,962	136,935
-	-	-	6,717	6,717
-	-	-	1,402	1,402
-	-	(54,611)	-	(33,235)
-	-	369	-	6,621
-	-	-	-	218
-	-	-	-	303
-	-	-	-	29,457
-	-	-	-	33,247
-	-	-	16,357	16,357
-	-	(12,951)	-	(12,951)
<u>56,778</u>	<u>70,195</u>	<u>(67,193)</u>	<u>34,438</u>	<u>185,071</u>
<u>\$ 373,425</u>	<u>\$ 70,195</u>	<u>\$ 27,768</u>	<u>\$ 54,520</u>	<u>\$ 831,413</u>

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CITY OF MILWAUKEE
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit A-2

Fund balances - total governmental funds \$ 185,071

Amounts reported for governmental activities in the statement of net assets (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 163,769
Buildings, net of \$71,381 accumulated depreciation	122,756
Infrastructure, net of \$855,033 accumulated depreciation	482,312
Improvements other than buildings, net of \$7,427 accumulated depreciation	3,771
Machinery and equipment, net of \$82,681 accumulated depreciation	62,978
Construction in progress	<u>106,357</u>

941,943

Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the funds.

2,321

Some revenues are deferred in the funds because they are not available to pay current period's expenditures.

Taxes to be collected after year end	7,644
Special assessments to be collected after year end	13,930
Notes and loans receivable to repay long-term bonds and notes	<u>14,929</u>

36,503

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets.

Accrued interest payable	(10,675)
Bonds and Notes Payable	(669,404)
Deferred amount on refunding	6,453
Unamortized premiums	(25,775)
Compensated absences	(30,784)
Net other postemployment benefits obligation	(36,877)
Claims and judgments	<u>(22,608)</u>

(789,670)

Total net assets of governmental activities (Exhibit 1) **\$ 376,168**

The notes to the financial statements are an integral part of this reconciliation.

CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit A-3

	General
Revenues:	
Property taxes	\$ 137,253
Other taxes	5,311
Special assessments	-
Licenses and permits	13,704
Intergovernmental	272,539
Charges for services	76,496
Fines and forfeits	5,800
Contributions received	22,270
Other	18,883
Total Revenues	<u>552,256</u>
Expenditures:	
Current:	
General government	222,781
Public safety	257,137
Public works	93,956
Health	10,359
Culture and recreation	17,548
Conservation and development	3,279
Capital outlay	-
Debt Service:	
Principal retirement	-
Interest	-
Bond issuance costs	-
Total Expenditures	<u>605,060</u>
Excess (deficiency) of Revenues over Expenditures	<u>(52,804)</u>
Other Financing Sources (Uses):	
General obligation bonds and notes issued	66,000
Loans receivable activities	-
Issuance premium	-
Transfers in	40,561
Transfers out	(68,079)
Total Other Financing Sources and Uses	<u>38,482</u>
Net Change in Fund Balances	(14,322)
Fund Balances - Beginning	<u>105,175</u>
Fund Balances - Ending	<u>\$ 90,853</u>

The notes to the financial statements are an integral part of this statement.

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 67,422	\$ -	\$ 12,906	\$ 3,501	\$ 221,082
13,287	2,269	-	-	20,867
-	-	3,542	-	3,542
-	-	-	-	13,704
715	-	7,584	56,032	336,870
3,258	-	-	-	79,754
-	-	-	-	5,800
-	-	-	-	22,270
3,421	8,736	2,809	10,141	43,990
<u>88,103</u>	<u>11,005</u>	<u>26,841</u>	<u>69,674</u>	<u>747,879</u>
45	-	-	3,067	225,893
-	-	-	11,319	268,456
-	-	-	3,822	97,778
-	-	-	11,929	22,288
-	-	-	2,166	19,714
-	-	-	27,675	30,954
-	-	127,336	-	127,336
147,893	4,184	-	-	152,077
35,360	-	-	-	35,360
78	-	-	-	78
<u>183,376</u>	<u>4,184</u>	<u>127,336</u>	<u>59,978</u>	<u>979,934</u>
<u>(95,273)</u>	<u>6,821</u>	<u>(100,495)</u>	<u>9,696</u>	<u>(232,055)</u>
-	-	21,318	15,610	102,928
-	-	-	4,975	4,975
2,129	-	-	-	2,129
104,886	-	-	-	145,447
<u>(7,248)</u>	<u>(10,230)</u>	<u>(2,502)</u>	<u>(20,905)</u>	<u>(108,964)</u>
<u>99,767</u>	<u>(10,230)</u>	<u>18,816</u>	<u>(320)</u>	<u>146,515</u>
4,494	(3,409)	(81,679)	9,376	(85,540)
<u>52,284</u>	<u>73,604</u>	<u>14,486</u>	<u>25,062</u>	<u>270,611</u>
<u>\$ 56,778</u>	<u>\$ 70,195</u>	<u>\$ (67,193)</u>	<u>\$ 34,438</u>	<u>\$ 185,071</u>

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CITY OF MILWAUKEE
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
FOR THE YEAR ENDED DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit A-4

Net change in fund balances - total governmental funds (Exhibit A-3) \$ (85,540)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$73,536) exceeded depreciation expense (\$45,595) in the current period less loss on disposals (\$1,169) 26,772

Notes and loans receivable to repay long-term bonds and notes (2,188)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.

Taxes accrued in prior years	\$ 1,705	
Special assessments deferred revenue beginning of the year \$15,515 less deferred at end of the year \$13,930	(1,585)	
		120

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued:		
Bonds and notes issued	(102,928)	
Issuance premiums	(2,129)	
Repayments:		
Principal retirement	152,077	
Bond issuance costs	74	
Amortization:		
Issuance costs	(449)	
Premiums	6,412	
Deferred amount on refunding	(1,278)	
		51,779

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normal paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. The adjustment combines the net changes of the following balances.

Compensated absences	4,762	
Net other postemployment benefits obligation	(36,877)	
Claims and judgments	2,383	
Accrued interest on bonds and notes	(310)	
		(30,042)

Changes in net assets of governmental activities (Exhibit 2) **\$ (39,099)**

The notes to the financial statements are an integral part of this reconciliation.

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit B-1

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 28,539	\$ -	\$ 21,485	\$ -	\$ 50,024
Restricted cash and cash equivalents	643	438	-	-	1,081
Receivables (net):					
Accounts	12,600	10,576	146	10,046	33,368
Unbilled accounts	9,770	2,129	-	2,144	14,043
Accrued interest	131	25	-	-	156
Due from other funds	4,702	1,285	-	1,117	7,104
Inventory of materials and supplies	2,345	-	-	-	2,345
Prepaid items	94	-	-	-	94
Deferred charges	-	479	-	-	479
Other assets	103	-	-	-	103
Total Current Assets	<u>58,927</u>	<u>14,932</u>	<u>21,631</u>	<u>13,307</u>	<u>108,797</u>
Noncurrent assets:					
Restricted cash and cash equivalents	-	8,447	-	-	8,447
Capital assets:					
Capital assets not being depreciated:					
Land	1,568	-	8,440	6,107	16,115
Construction in progress	12,249	36,800	3,650	-	52,699
Capital assets being depreciated:					
Buildings	21,292	-	50,645	13,063	85,000
Infrastructure	318,139	346,382	-	-	664,521
Improvements other than buildings	-	-	5,429	21,871	27,300
Machinery and equipment	201,183	4,260	1,496	4,776	211,715
Furniture and furnishings	-	22	-	55	77
Nonutility property	5,316	-	-	-	5,316
Accumulated depreciation	<u>(182,649)</u>	<u>(102,421)</u>	<u>(30,217)</u>	<u>(26,116)</u>	<u>(341,403)</u>
Total Noncurrent Assets	<u>377,098</u>	<u>293,490</u>	<u>39,443</u>	<u>19,756</u>	<u>729,787</u>
Total Assets	<u>436,025</u>	<u>308,422</u>	<u>61,074</u>	<u>33,063</u>	<u>838,584</u>

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 3,326	\$ 762	\$ 1,295	\$ 9,122	\$ 14,505
Accrued expenses	1,454	631	523	152	2,760
Accrued interest payable	346	810	183	109	1,448
Compensated absences	1,025	-	-	-	1,025
Due to other funds	9,790	5,451	-	9,936	25,177
Deferred revenue	-	-	28	-	28
General obligation debt payable - current	2,845	19,701	2,218	483	25,247
Revenue bonds payable - current	891	-	-	-	891
Total Current Liabilities	<u>19,677</u>	<u>27,355</u>	<u>4,247</u>	<u>19,802</u>	<u>71,081</u>
Current Liabilities Payable from Restricted Assets:					
Revenue bonds payable	-	3,214	-	-	3,214
Accrued interest payable	-	122	-	-	122
Total Current Liabilities Payable from Restricted Assets	<u>-</u>	<u>3,336</u>	<u>-</u>	<u>-</u>	<u>3,336</u>
Noncurrent Liabilities:					
General obligation debt	17,474	3,934	9,579	3,207	34,194
Revenue bonds payable	10,315	66,647	-	-	76,962
Other post employment benefits obligation	790	274	214	45	1,323
Total Noncurrent Liabilities	<u>28,579</u>	<u>70,855</u>	<u>9,793</u>	<u>3,252</u>	<u>112,479</u>
Total Liabilities	<u>48,256</u>	<u>101,546</u>	<u>14,040</u>	<u>23,054</u>	<u>186,896</u>
Net Assets:					
Invested in capital assets, net of related debt	345,572	191,547	28,409	16,066	581,594
Restricted for Debt Service	643	8,885	-	-	9,528
Unrestricted	41,554	6,444	18,625	(6,057)	60,566
Total Net Assets	<u>\$ 387,769</u>	<u>\$ 206,876</u>	<u>\$ 47,034</u>	<u>\$ 10,009</u>	<u>\$ 651,688</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit B-2

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Operating Revenues:					
Charges for Services:					
Water sales	\$ 59,301	\$ -	\$ -	\$ -	\$ 59,301
Statutory sewer user fee	-	-	-	30,258	30,258
Sewer maintenance fee	-	37,756	-	-	37,756
Rent	-	-	7,124	6,022	13,146
Fire protection service	6,234	-	-	-	6,234
Parking meters	-	-	4,088	-	4,088
Parking permits	-	-	2,914	-	2,914
Vehicle towing	-	-	6,250	-	6,250
Parking forfeitures	-	-	18,950	-	18,950
Other	6,969	-	-	907	7,876
Total Operating Revenues	<u>72,504</u>	<u>37,756</u>	<u>39,326</u>	<u>37,187</u>	<u>186,773</u>
Operating Expenses:					
Milwaukee Metropolitan Sewerage District charges ..	-	-	-	27,808	27,808
Employee services	-	7,442	7,269	1,622	16,333
Administrative and general	6,634	-	-	34	6,668
Depreciation	12,943	4,086	2,415	2,385	21,829
Transmission and distribution	18,872	-	-	2,742	21,614
Services, supplies and materials	-	10,305	13,752	1,545	25,602
Water treatment	12,506	-	-	-	12,506
Water pumping	7,057	-	-	-	7,057
Billing and collection	2,678	-	-	1,601	4,279
Total Operating Expenses	<u>60,690</u>	<u>21,833</u>	<u>23,436</u>	<u>37,737</u>	<u>143,696</u>
Operating Income (Loss)	<u>11,814</u>	<u>15,923</u>	<u>15,890</u>	<u>(550)</u>	<u>43,077</u>
Nonoperating Revenues (Expenses):					
Investment income	1,707	414	-	-	2,121
Interest expense	(1,374)	(3,495)	(589)	(190)	(5,648)
Gain (loss) on disposal of fixed assets	-	-	133	-	133
Other	304	(4,600)	271	12	(4,013)
Total Nonoperating Revenues (Expenses)	<u>637</u>	<u>(7,681)</u>	<u>(185)</u>	<u>(178)</u>	<u>(7,407)</u>
Income (Loss) before Contributions and Transfers..	<u>12,451</u>	<u>8,242</u>	<u>15,705</u>	<u>(728)</u>	<u>35,670</u>
Capital contributions	2,178	3,265	-	619	6,062
Transfers in	-	-	-	683	683
Transfers out	<u>(7,767)</u>	<u>(9,000)</u>	<u>(17,346)</u>	<u>(3,053)</u>	<u>(37,166)</u>
Change in Net Assets	<u>6,862</u>	<u>2,507</u>	<u>(1,641)</u>	<u>(2,479)</u>	<u>5,249</u>
Total Net Assets - Beginning	<u>380,907</u>	<u>204,369</u>	<u>48,675</u>	<u>12,488</u>	<u>646,439</u>
Total Net Assets - Ending	<u>\$ 387,769</u>	<u>\$ 206,876</u>	<u>\$ 47,034</u>	<u>\$ 10,009</u>	<u>\$ 651,688</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit B-3

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 70,998	\$ 35,351	\$ 39,376	\$ 34,776	\$ 180,501
Payments to suppliers	(17,762)	(11,018)	(13,445)	(33,967)	(76,192)
Payments to employees	(24,178)	(7,171)	(7,000)	(1,540)	(39,889)
Payments from other funds	-	-	-	3,001	3,001
Payments to other funds	(5,995)	5,451	-	379	(165)
Net Cash Provided by Operating Activities.....	<u>23,063</u>	<u>22,613</u>	<u>18,931</u>	<u>2,649</u>	<u>67,256</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Miscellaneous nonoperating revenue	304	-	-	-	304
Other nonoperating expenses	-	(4,600)	-	-	(4,600)
Transfers from other funds	-	-	-	683	683
Transfers to other funds	(7,767)	(9,000)	(17,346)	(3,053)	(37,166)
Net Cash Used for Noncapital Financing Activities	<u>(7,463)</u>	<u>(13,600)</u>	<u>(17,346)</u>	<u>(2,370)</u>	<u>(40,779)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital contributions	-	-	-	575	575
Proceeds from sale of bonds and notes	-	11,825	1,065	12	12,902
Proceeds from sale of revenue bonds	-	14,369	-	-	14,369
Acquisition of property, plant and equipment	(14,319)	(19,250)	(2,059)	(197)	(35,825)
Retirement of bonds, notes and revenue bonds	(4,231)	(24,750)	(2,080)	(480)	(31,541)
Interest paid	(1,425)	(3,214)	(592)	(200)	(5,431)
Other	-	-	542	11	553
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(19,975)</u>	<u>(21,020)</u>	<u>(3,124)</u>	<u>(279)</u>	<u>(44,398)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	<u>1,748</u>	<u>393</u>	<u>-</u>	<u>-</u>	<u>2,141</u>
Net Decrease in Cash and Cash Equivalents	(2,627)	(11,614)	(1,539)	-	(15,780)
Cash and Cash Equivalents - Beginning	<u>31,809</u>	<u>20,499</u>	<u>23,024</u>	<u>-</u>	<u>75,332</u>
Cash and Cash Equivalents - Ending	<u>\$ 29,182</u>	<u>\$ 8,885</u>	<u>\$ 21,485</u>	<u>\$ -</u>	<u>\$ 59,552</u>

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit B-3 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year End Consist of:					
Unrestricted Cash	\$ 28,539	\$ -	\$ 21,485	\$ -	\$ 50,024
Restricted Cash	<u>643</u>	<u>8,885</u>	<u>-</u>	<u>-</u>	<u>9,528</u>
	<u>\$ 29,182</u>	<u>\$ 8,885</u>	<u>\$ 21,485</u>	<u>\$ -</u>	<u>\$ 59,552</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 11,814	\$ 15,983	\$ 15,890	\$ (550)	\$ 43,137
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	12,943	4,026	2,415	2,385	21,769
Changes in assets and liabilities:					
Receivables	(2,029)	(1,988)	59	(2,411)	(6,369)
Due from other funds	(415)	(417)	-	(257)	(1,089)
Inventories	(136)	-	-	-	(136)
Prepaid items	(73)	-	-	-	(73)
Other assets	31	-	-	-	31
Accounts payable	455	(713)	307	(237)	(188)
Accrued liabilities	473	271	269	82	1,095
Due to other funds	-	5,451	-	3,637	9,088
Deferred revenue	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>-</u>	<u>(9)</u>
Net Cash Provided by Operating Activities	<u>\$ 23,063</u>	<u>\$ 22,613</u>	<u>\$ 18,931</u>	<u>\$ 2,649</u>	<u>\$ 67,256</u>

Non-cash Activities:

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of \$2.178 million.

During the year, the Sewer Maintenance Fund removed infrastructure assets costing \$95,007 with a net value of \$0, and, received donated assets in the amount of \$3.265 million.

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit C-1

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 310	\$ 2,215	\$ 274,369
Investments	<u>-</u>	<u>3,247</u>	<u>-</u>
Total Assets	<u>310</u>	<u>5,462</u>	<u>\$ 274,369</u>
LIABILITIES			
Liabilities:			
Accounts payable	37	47	1,444
Due to other governmental agencies	<u>-</u>	<u>-</u>	<u>272,925</u>
Total Liabilities	<u>37</u>	<u>47</u>	<u>\$ 274,369</u>
Net Assets			
Employees' pension benefits and other purposes	<u>\$ 273</u>	<u>\$ 5,415</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit C-2

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts
Additions		
Contributions:		
Plan members	\$ 1,203	\$ -
Private donations	-	1,058
Total Contributions	<u>1,203</u>	<u>1,058</u>
Investment earnings:		
Net (depreciation) appreciation in fair value of investments, dividends and interest	-	296
Total Additions	<u>1,203</u>	<u>1,354</u>
Deductions		
Benefits	1,154	-
Fees remitted from Trust	-	1,028
Other	-	1,249
Total Deductions	<u>1,154</u>	<u>2,277</u>
Change in Net Assets	49	(923)
Net Assets - Beginning	<u>224</u>	<u>6,338</u>
Net Assets - Ending	<u>\$ 273</u>	<u>\$ 5,415</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit D-1

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 24,084	\$ 25,016	\$ 3,697	\$ 1,460	\$ 54,257
Investments	5,878	300	-	300	6,478
Receivables (net):					
Accounts	970	540	579	56	2,145
Notes and loans	19,109	15,878	41,455	572	77,014
Accrued interest	2,361	61	166	103	2,691
Due from primary government	2	241	25	-	268
Due from other governmental agencies	2,903	435	15,067	-	18,405
Inventory of property for resale	1,657	8,877	899	2,038	13,471
Prepaid items	1,316	90	-	-	1,406
Deferred charges	419	889	-	-	1,308
Other assets	147	-	131	-	278
Total Noncapital Assets	58,846	52,327	62,019	4,529	177,721
Capital assets:					
Capital assets not being depreciated:					
Land and land improvements	48,858	9,107	-	-	57,965
Construction in progress	35,942	13,263	-	-	49,205
Capital assets being depreciated:					
Buildings	344,885	79,098	-	-	423,983
Improvements other than buildings	599	-	-	-	599
Machinery and equipment	4,094	-	144	-	4,238
Accumulated depreciation	(217,877)	(3,562)	(78)	-	(221,517)
Total Capital Assets, Net of Depreciation	216,501	97,906	66	-	314,473
Total Assets	275,347	150,233	62,085	4,529	492,194

Exhibit D-1 (Continued)

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
 FOR THE YEAR ENDED DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit D-2

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Housing Authority				
Low income housing	\$ 82,289	\$ 19,299	\$ 43,179	\$ 16,061
Redevelopment Authority				
Prevention and elimination of blight	12,866	5,863	7,739	13,263
Milwaukee Economic Development Corporation				
Increase employment & expansion of business	4,133	3,642	2,444	-
Neighborhood Improvement Development Corp.				
Housing improvements	<u>1,369</u>	<u>792</u>	<u>587</u>	<u>-</u>
Total Component Units	<u>\$100,657</u>	<u>\$ 29,596</u>	<u>\$ 53,949</u>	<u>\$ 29,324</u>

General revenues:

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning, as Restated.....

Net Assets - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
\$ (3,750)	\$ -	\$ -	\$ -	\$ (3,750)
-	13,999	-	-	13,999
-	-	1,953	-	1,953
<u>-</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>10</u>
<u>(3,750)</u>	<u>13,999</u>	<u>1,953</u>	<u>10</u>	<u>12,212</u>
<u>3,559</u>	<u>1,335</u>	<u>527</u>	<u>53</u>	<u>5,474</u>
<u>3,559</u>	<u>1,335</u>	<u>527</u>	<u>53</u>	<u>5,474</u>
(191)	15,334	2,480	63	17,686
<u>213,667</u>	<u>22,515</u>	<u>51,185</u>	<u>3,061</u>	<u>290,428</u>
<u>\$213,476</u>	<u>\$ 37,849</u>	<u>\$ 53,665</u>	<u>\$ 3,124</u>	<u>\$308,114</u>

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**NOTES
TO THE
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. Reporting Entity

The City of Milwaukee (the "City") was incorporated on January 31, 1846, and operates under a Council-Mayor form of government. These financial statements present the City (the primary government) and other organizations, including component units, for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are legally separate organizations for which the elected officials of the City are accountable. The City is considered financially accountable if it appoints a voting majority of the organization's governing body and is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefits to or burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the primary government.

Discretely Presented Component Units

The component units columns in the government-wide financial statements includes the financial data of the City's component units. They are reported in a separate column to emphasize that they are legally separate from the City. The City has the following discretely presented component units:

Housing Authority - This entity is used to account for the Federal and State grants relating primarily to low-income housing and rental assistance programs. The entire governing board is appointed by the Mayor of the City. The daily operations of the Housing Authority of the City of Milwaukee (HACM) are managed by City employees.

Redevelopment Authority - The Redevelopment Authority of the City of Milwaukee (RACM) is responsible for activities related to the prevention and elimination of blighted conditions in the City. The City appoints all members of the Board and approves the budget.

Milwaukee Economic Development Corporation - The Milwaukee Economic Development Corporation (MEDC) is a nonprofit organization formed to promote economic development within the City. The principal objective of the corporation is to benefit the community by fostering increased employment through expansion of business and industry within the metropolitan Milwaukee area. MEDC's primary source of funds is interest on loans originally granted through the City.

Neighborhood Improvement Development Corporation - The Neighborhood Improvement Development Corporation (NIDC) is a nonprofit organization established to promote reinvestment in both housing and commercial structures within the City. NIDC programs encourage private lending institutions and property owners to make improvements to the community's homes and businesses. Corporate officers of NIDC are provided by the City and daily operations are managed by City employees.

Financial statements of the individual component units can be obtained from their respective administrative offices. Addresses of the component units are as follows: HACM, 809 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; RACM, 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202; MEDC, 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202; NIDC, 841 North Broadway, Room 105, Milwaukee, Wisconsin 53202.

The basic financial statements exclude the accounts of the Wisconsin Center District, Milwaukee Public Schools, the Milwaukee Metropolitan Sewerage District, World Festivals Inc. ("Summerfest") and the Employees' Retirement System of the City of Milwaukee, because these entities operate with separate governing boards and do not meet the criteria established by the Governmental Accounting Standards Board (GASB) Statement 14 as component units of the City. The Milwaukee Metropolitan Sewerage District (MMSD) is a special purpose municipal corporation created to provide sewerage treatment services in the Milwaukee metropolitan area. The City is responsible for paying usage charges within its jurisdiction. These amounts, in turn, are billed by the City to its water customers. The City has no equity interest in MMSD. Financial statements for MMSD can be obtained from its administrative office.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

B. Basis of Presentation

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the City, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) fines, fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund.

General Obligation Debt – This fund accounts for the resources accumulated and payments made for principal and interest on the City's outstanding long-term general obligation debt.

Public Debt Amortization – This fund accounts for one-third of all interest on general City investments and interest on Fund investments for the retirement of debt. The Public Debt Amortization Fund is governed by Section 67.101 of the Wisconsin Statutes for the retirement of the public debt. See Note 7 for further discussion.

Capital Projects Fund – The Capital Projects Fund is used to account for the financial resources segregated for the acquisition or construction of major capital expenditures other than those financed by proprietary funds.

The City reports the following major enterprise funds:

Water Works - All activities necessary to provide water services to residents of the City and outlying areas. Fund activities include administration, billing and collection, operations, maintenance and financing.

Sewer Maintenance – This fund accounts for the maintenance of the City's sewer system. Wisconsin State Statutes Section 66.076, permit municipalities to implement sewer fees to recover the costs of operation, maintenance, repair, and depreciation of sewer collection and transportation facilities. Sewer maintenance costs are recovered through a user fee rather than through the property tax.

Parking – This fund accounts for revenues derived from parking meters, parking permits, rentals and leasing of parking facilities and other revenues attributable to parking. The revenues are used to defray administrative and operational costs related to parking operations, and to acquire, landscape and construct parking lots and structures.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Additionally, the City reports the following fiduciary fund types:

Pension and Other Employee Benefit Trusts – This fund accounts for resources for employee flexible spending plans.

Private Purpose Trust – These funds account for resources legally held in trust for use by various individuals, governmental entities, and nonpublic corporations. All resources of these funds, including any earnings on invested resources, may be used to support each trust's initiatives.

Agency – These funds account for taxes and deposits collected by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

C. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2007 that will be collected in 2008 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, excluding property taxes, to be available if they are collected within 90 days of the end of the current year. Property taxes are considered to be available if they are collected within 60 days of the end of the current year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources, which are susceptible to accrual include property taxes, state shared revenues, grants, contributions, and interest. All other revenue sources including licenses, permits, fines and forfeits are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments (including restricted cash and investments) purchased with a maturity of three months or less are considered to be cash equivalents. The City manages a cash and investment pool to maximize return on funds while providing liquidity to meet day to day obligations. Each fund's equity in the City's investment pool is considered to be a cash equivalent, since the funds can deposit or effectively withdraw cash at anytime without prior notice or penalty. The Housing Authority considers amounts on deposit with fiscal agents to be investments and not cash equivalents due to their restrictive nature.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

E. Investments

Investments, primarily consisting of fixed income securities, are reported at fair value based on quoted market prices. Commercial paper, which is short-term, defined as having an original maturity of one year or less, and highly liquid is carried at amortized cost. Investment transactions are recorded on the trade date. Under Wisconsin Statutes, one-third of all interest on pooled cash and investments is allocated to the Public Debt Amortization Fund. The remaining two-thirds is credited to the General Fund. Each fund type's portion of pooled cash and investments is included in the cash and cash equivalents line on the Statement of Net Assets/Balance Sheet.

Wisconsin Statutes permit the City to invest funds not immediately needed in any of the following:

- Time deposits maturing within three years in any credit union, bank, savings bank, trust company or savings and loan association which are authorized to transact business in the State of Wisconsin.
- Bonds or securities issued or guaranteed by the Federal government.
- Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the State of Wisconsin, as well as bonds issued by a local exposition district, a local professional baseball park district, or the University of Wisconsin Hospitals and Clinics Authority.
- Local Government Investment Pool - Investment Fund of the State of Wisconsin. The Local Government Pooled – Investment Fund is an external investment pool administered by the State of Wisconsin. The fair value of the City's investment in the fund is the same as the value of the pooled shares. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of Section 25.50 of the Wisconsin Statutes.
- Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- Any Security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, Inc. or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
- Securities of open-end management investment companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds or securities.

F. Property Taxes

Property taxes are recorded as receivables and deferred revenues in the taxing fund in the year levied because the taxes are restricted to funding the succeeding year's budget appropriations. Property tax payments received prior to year-end are also reflected in the taxing fund. Property taxes are recognized in the appropriate funds as revenues in the succeeding year when they are collected and available to finance City services. If not collected at year-end, the delinquent property taxes are reflected as receivables and deferred revenues. Delinquent property taxes and related interest are recognized as revenues when collected.

The allowance for uncollectible property taxes is based on an analysis of the delinquent property taxes and, in management's judgment, represents an amount adequate to provide for potential uncollectible taxes. The allowance is increased by provisions charged against revenues and is reduced by taxes receivable written off.

The City, through its Special Revenue Fund - Delinquent Tax, issues general obligation short-term promissory notes to finance the purchase of the most recent delinquent taxes from its General Fund. Collections on these delinquencies are used for the associated debt service requirements.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

G. Accounts Receivable

Accounts receivables are presented net of allowances. The amount of the General Fund allowance as of December 31, 2007 is \$1,990,000.

H. Unbilled Services

Unbilled water and sewer services at year end are recognized as revenues and receivables in the accompanying financial statements.

I. Special Assessments

Special assessments consist of capital projects constructed through non-special assessment debt. In governmental fund financial statements, special assessments are recorded as receivables and deferred revenues when the related capital outlays are made and are recorded as revenues when due and payable. In the government-wide financial statements, special assessments are recorded as receivables and capital contribution revenue when the capital outlays are made. All special assessments are due when billed and may be paid on an installment basis with interest. Special assessment receivables that become delinquent are added to the general tax roll. The method of enforcing collections is the same as for general city taxes with like force and effect.

J. Notes and Loan Receivables

The General Fund, the Special Revenue Fund - Community Development Block Grant, and Neighborhood Improvement Development Corporation hold notes and loans receivable from individuals, small businesses and corporations in the Milwaukee area that are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the collectibility of the notes and loans that are not insured and provides allowances as considered necessary. The amount of the allowance in the nonmajor governmental fund is \$8,542,000 as of December 31, 2007.

The City creates tax incremental districts (TID) to issue debt to fund redevelopment projects. Pursuant to a cooperation agreement between the City, the Redevelopment Authority of the City of Milwaukee (Authority), and the Milwaukee Economic Development Corporation (Corporation), the City provides the Authority and the Corporation with the funds necessary to carry out the loan to a private developer to finance the redevelopment projects. Loan repayments to the Authority and the Corporation from the private developer, including interest income as well as other project income, are transferred to the City until the City's loan has been repaid or the TID expires. The City reflects these loans as notes receivable and deferred revenue in governmental fund financial statements based on an amount estimated to be repaid from the Authority and the Corporation.

K. Inventories

Inventories of materials and supplies are stated at moving average cost, based upon perpetual recordkeeping systems and periodic cycle counts of quantities on hand. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories in governmental funds are reserved for in fund balance, because inventories are not expendable available financial resources.

L. Prepaid Items

Cash payments benefiting future periods have been recorded as prepaid items. They will be reflected as expenditures or expenses when incurred in the subsequent year. Prepaid items in governmental funds are reserved for in fund balance, because prepaids are not expendable available financial resources.

M. Capital Assets

Capital assets, which includes property, plant, and equipment, and infrastructure, are reported at cost or estimated historical cost. Contributed assets are reported at estimated fair value at the time received. General infrastructure assets, such as roads, bridges, curbs, gutters, streets, sidewalks and drainage and lighting systems, acquired prior to January 1, 2002 are reported at estimated historical cost using deflated replacement cost. Capital assets are depreciated using the straight-line method. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2007

Major capital outlays for capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Interest expenses incurred during construction were not capitalized as part of the additions to capital assets.

Capitalization thresholds and the estimated useful lives for the City and component units are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Infrastructure	\$ 5,000	5-50 years
Land	5,000	N/A
Land Improvements	5,000	N/A
Site Improvements	5,000	3-50
Buildings	5,000	10-60
Building Improvements	5,000	10-45
Machinery and equipment	5,000	3-25
Works of Art, Historical Treasures	5,000	N/A

N. Pension Contributions

The employer's share of the annual contribution is recorded in the proprietary funds and government-wide financial statements as an expense when the liability is incurred and in the governmental funds as an expenditure when the liability is liquidated with expendable available financial resources.

O. Compensated Absences

The liability for compensated absences reported in the government-wide, proprietary and fiduciary fund financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and include salary related costs (e.g. social security and Medicare tax). A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

City employees accrue sick leave in accordance with labor agreements or Section 350-37 of the Code of Ordinances.

P. Claims and Judgments

The liability for claims and judgments is reported in the government-wide, proprietary and fiduciary fund financial statements when they are both probable and estimable. A liability for claims and judgments is reported in governmental funds only if they have matured (i.e. are due). The City accrues environmental remediation obligations when related liabilities are probable and reasonably estimable. These accruals generally are recognized no later than completion of a remedial feasibility study and are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Q. Bond Premiums, Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The City records bond premiums for governmental fund types in the General Obligation Debt Service Fund.

R. Advance Refundings of Debt

In the government-wide and proprietary fund financial statements, gains and losses from advance refundings of debt resulting in defeasance are deferred and amortized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt using the effective interest method. Bonds payable are reported net of the applicable deferred amount.

S. Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes.

T. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

U. Interfund Transactions

The City has the following types of interfund transactions:

Loans - amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds. The noncurrent portions of long-term interfund loans receivable are reported as advances.

Services provided and used - sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements - repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursement is reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers - flows of assets (such as cash or goods) without equivalent flows of assets in return, including payments in lieu of taxes, and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

CITY OF MILWAUKEE
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V. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

W. New Accounting Pronouncements

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)* during the year ended December 31, 2007. This statement establishes uniform financial reporting standards for other post employment benefits. This standard was implemented prospectively. As a result, there was no effect to the beginning net assets (as of January 1, 2007) in the government wide or proprietary fund financial statements for the net OPEB obligation.

The City implemented Governmental Accounting Standards Board (GASB) issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* during the year ended December 31, 2007. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. This Statement includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. There was no effect to the City's financial statements as a result of implementing this standard.

In November 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The City will implement Statement No. 49 beginning with the year ending December 31, 2008.

X. Reclassifications

Certain 2006 amounts have been reclassified to conform with the 2007 presentation.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2007

2. Deposits and Investments

A. Primary Government

The description of the city's deposit and investment policy is discussed in Note 1 D and E.

As of December 31, 2007, the City's deposits and investments are as follows:

	Investment Maturities (in Years)				
	(Thousands of Dollars)				
	Fair Value	Less than 1	1-5	6-10	Credit Rating
Governmental and Business-type activities:					
<i>Investment type</i>					
Pooled Deposits and Investments	\$ 160,627	\$ 154,626	\$ 6,001	\$ -	see below
Segregated Deposits and Investments					
Interest Checking	21,936	21,936	-	-	not rated
Wisconsin Local Government					
Investment Pool	100,009	100,009	-	-	not rated
U.S. Treasuries	8,692	3,162	5,083	447	AAA
Treasuries (Fiscal Agent)	8,447	8,447	-	-	AAA
	<u>\$ 299,711</u>	<u>\$ 288,180</u>	<u>\$ 11,084</u>	<u>\$ 447</u>	
Fiduciary activities:					
<i>Investment type</i>					
Investments in the Pool	\$ 276,429	\$ 276,429	\$ -	\$ -	see below
Other Deposits	348	348	-	-	not rated
Segregated Deposits and Investments					
Wisconsin Local Government					
Investment Pool	117	117	-	-	not rated
U.S. Treasuries	3,247	418	1,528	1,301	AAA
	<u>\$ 280,141</u>	<u>\$ 277,312</u>	<u>\$ 1,528</u>	<u>\$ 1,301</u>	

Pooled Deposits and Investments

The City maintains a cash and investment pool (Pool) that is available for use by all the funds, except for Debt Service Funds, Water Works Enterprise Fund, and component entities. Each fund's share of pooled cash and investments is included in the cash and cash equivalents line on the Statement of Net Assets/Balance Sheet.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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As of December 31, 2007, the City had the following investments and maturities in the Pool:

	Investment Maturities (in Years)				
	(Thousands of Dollars)				
	Fair Value	Less than 1	1-5	6-10	Credit Rating
Pooled Deposits and Investments					
Bank Demand Deposits	\$ 51,469	\$ 51,469	\$ -	\$ -	not rated
Other Deposits	1,237	1,237	-	-	not rated
Deposits and Investments					
Interest Checking	352,958	352,958	-	-	not rated
Wisconsin Local Government					
Investment Pool	4,788	4,788	-	-	not rated
Government Money Market	105	105	-	-	AAA
Certificates of Deposits	17,500	17,500	-	-	not rated
U.S. Agency Securities					
Federal Farm Credit Bank	-	-	-	-	AAA
Federal Home Loan Bank	3,999	1,998	2,001	-	AAA
Freddie Mac	3,000	-	3,000	-	AAA
Federal National Mortgage Association	2,000	1,000	1,000	-	AAA
	\$ 437,056	\$ 431,055	\$ 6,001	\$ -	

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned. Per Common Council the City Treasurer shall require collateralization of certificates of time deposit (including interest checking) at financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of \$500,000. As of December 31, 2007, the City's bank balances of \$291,000 were subject to custodial credit risk as they were neither insured nor collateralized.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the City's investments will decrease as a result of an increase in interest rates. The City's investment policy does not explicitly limit investment maturities. However, the City manages its exposure to interest risk based on the anticipated cash flow needs of the City and limiting the amount of pooled investments to \$60,000,000 with maturities greater than one year.

Credit risk

Credit risk is the risk that the City will not recover its investments due to the ability of the counterparty to fulfill its obligations. Wisconsin Statutes expressly limit the City to invest in certain allowable investments as listed in Note 1. E. The City's investment policy generally does not further limit its investment choices.

B. Component Units

Deposits and Investments

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts. An additional \$400,000 is covered by the State Deposit Guarantee Fund.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the Component Unit investments are exposed to losses as a result of increases in interest rates.

CITY OF MILWAUKEE
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Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation.

The component units have the following investments on December 31, 2007:

	Investment Maturities (in Years)					
	(Thousands of Dollars)					
	Fair value	Less than 1	1-2	10-15	15 and greater	Credit Rating
Component Units:						
Local Government Investment Pool	\$ 28,492	\$ 28,492	-	-	-	not rated
US Treasury Money Market Fund	8,996	8,996	-	-	-	Aaa
US Treasury Bond	-	-	-	-	-	Aaa
US Treasury Note	-	-	-	-	-	Aaa
US Agencies						
Government National Mortgage Association	1,063	-		1,063		Aaa
Certificates of Deposit	300	300	-	-	-	N/A
	<u>\$ 38,851</u>	<u>\$ 37,788</u>	<u>\$ -</u>	<u>\$ 1,063</u>	<u>\$ -</u>	

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the Component Units deposits may not be returned.

As of December 31, 2006 Component Units bank balances exposed to Custodial Credit Risk is as follows:

	Bank Balance	Uninsured and Uncollateralized
Housing Authority	\$ 11,631,019	\$ 11,031,019
Redevelopment Authority	5,264,282	4,758,537
Milwaukee Economic Development Corporation	3,250,681	2,483,188
Neighborhood Improvement Development Corporation	1,902,390	1,016,825

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2007, the Housing Authority had investments of \$1,063,000 exposed to custodial credit risk as neither insured nor registered and held by the counterparty. The Redevelopment Authority had \$8,997,000 of investments exposed to custodial credit risk as uninsured and uncollateralized as of December 31, 2007.

3. PROPERTY TAXES

The City's property taxes are levied on or before December 31, on the assessed (taxable) value as of the prior January 1, for all general property located in the City. Taxes become a lien against the property upon filing the roll in the Office of the City Clerk. This generally takes place in December. The taxes are due January 31, but may be paid in ten monthly installments without interest from January through October. Foreclosure can be commenced after one year from date of delinquency.

The City purchases property taxes receivable from other taxing authorities at the unpaid amounts to facilitate the collection of the taxes. The purchases are a financing arrangement and are not included in property tax revenues. Also, delinquent water and sewer charges and special assessment receivables are transferred to the General Fund at the unpaid amounts.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2007

At December 31, 2007, delinquent property taxes include delinquent sewer and water charges and special assessments by year levied, tax deeded property, and allowance for uncollectible taxes. These delinquent property taxes are reported as part of taxes receivable in the General Fund and Special Revenue Fund - Delinquent Tax and consist of the following:

	City Levy	Purchased Taxes Receivable	Total
	<i>(Thousands of Dollars)</i>		
2002 and prior	\$ 1,033	\$ 1,522	\$ 2,555
2003	312	483	795
2004	703	1,103	1,806
2005	1,619	2,523	4,142
2006	<u>7,803</u>	<u>13,271</u>	<u>21,074</u>
 Total delinquent property taxes receivable	 <u>\$ 11,470</u>	 <u>\$ 18,902</u>	 30,372
 Property taxes receivable on foreclosed property			13,948
 Less: Allowance for uncollectible taxes			<u>(15,743)</u>
 Net delinquent property taxes receivable, including tax deeded property			<u>\$ 28,577</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2007

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

	Balance 01-01-07	Additions	Deletions	Balance 12-31-07
		<i>(Thousands of Dollars)</i>		
Governmental activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 164,425	\$ 223	\$ 879	\$ 163,769
Construction in progress	<u>75,228</u>	<u>38,780</u>	<u>7,651</u>	<u>106,357</u>
Total capital assets not being depreciated	<u>239,653</u>	<u>39,003</u>	<u>8,530</u>	<u>270,126</u>
<i>Capital assets being depreciated:</i>				
Buildings	191,225	3,400	488	194,137
Infrastructure.....	1,316,526	22,529	1,710	1,337,345
Improvements other than buildings	11,036	184	22	11,198
Machinery and equipment	<u>138,418</u>	<u>16,071</u>	<u>8,830</u>	<u>145,659</u>
Total capital assets being depreciated	<u>1,657,205</u>	<u>42,184</u>	<u>11,050</u>	<u>1,688,339</u>
Less accumulated depreciation for:				
Buildings	67,374	4,406	399	71,381
Infrastructure	826,126	30,617	1,710	855,033
Improvements other than buildings	7,135	304	12	7,427
Machinery and equipment	<u>81,052</u>	<u>10,268</u>	<u>8,639</u>	<u>82,681</u>
Total accumulated depreciation	<u>981,687</u>	<u>45,595</u>	<u>10,760</u>	<u>1,016,522</u>
Total capital assets being depreciated, net	<u>675,518</u>	<u>(3,411)</u>	<u>290</u>	<u>671,817</u>
Government activity capital assets, net	<u>\$ 915,171</u>	<u>\$ 35,592</u>	<u>\$ 8,820</u>	<u>\$ 941,943</u>
Depreciation expense for governmental activities was charged to functions as follows:				
General government				\$ 362
Public safety				6,337
Public works				37,909
Health				155
Culture and recreation				<u>832</u>
Total				<u>\$ 45,595</u>

CITY OF MILWAUKEE
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	Balance 01-01-07	Additions	Deletions	Balance 12-31-07
Business-type activities		<i>(Thousands of Dollars)</i>		
Waterworks				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,568	\$ -	\$ -	\$ 1,568
Construction in progress	9,145	28,707	25,603	12,249
Total capital assets not being depreciated	<u>10,713</u>	<u>28,707</u>	<u>25,603</u>	<u>13,817</u>
<i>Capital assets being depreciated:</i>				
Buildings	20,693	621	22	21,292
Infrastructure	306,507	12,372	740	318,139
Machinery and equipment	201,262	3,262	3,342	201,182
Nonutility property	5,317	-	-	5,317
Total capital assets being depreciated	<u>533,779</u>	<u>16,255</u>	<u>4,104</u>	<u>545,930</u>
Less accumulated depreciation for:				
Buildings	13,546	665	223	13,988
Infrastructure	73,155	3,519	727	75,947
Machinery and equipment	84,246	8,781	3,239	89,788
Nonutility property	2,831	95	-	2,926
Total accumulated depreciation	<u>173,778</u>	<u>13,060</u>	<u>4,189</u>	<u>182,649</u>
Total capital assets being depreciated, net	<u>360,001</u>	<u>3,195</u>	<u>(85)</u>	<u>363,281</u>
Waterworks capital assets, net	<u>370,714</u>	<u>31,902</u>	<u>25,518</u>	<u>377,098</u>
Sewer Maintenance				
<i>Capital assets not being depreciated:</i>				
Construction in progress	29,925	16,897	10,022	36,800
Total capital assets not being depreciated	<u>29,925</u>	<u>16,897</u>	<u>10,022</u>	<u>36,800</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	331,592	14,885	95	346,382
Machinery and equipment	3,505	755	-	4,260
Furniture and furnishings	22	-	-	22
Total capital assets being depreciated	<u>335,119</u>	<u>15,640</u>	<u>95</u>	<u>350,664</u>
Less accumulated depreciation for:				
Infrastructure	97,132	3,765	95	100,802
Machinery and equipment	1,277	320	-	1,597
Furniture and furnishings	21	1	-	22
Total accumulated depreciation	<u>98,430</u>	<u>4,086</u>	<u>95</u>	<u>102,421</u>
Total capital assets being depreciated, net	<u>236,689</u>	<u>11,554</u>	<u>-</u>	<u>248,243</u>
Sewer maintenance capital assets, net	<u>266,614</u>	<u>28,451</u>	<u>10,022</u>	<u>285,043</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Balance 01-01-07	Additions	Deletions	Balance 12-31-07
		<i>(Thousands of Dollars)</i>		
Parking				
<i>Capital assets not being depreciated:</i>				
Land	\$ 8,562	\$ -	\$ 122	\$ 8,440
Construction in progress	<u>1,795</u>	<u>1,996</u>	<u>141</u>	<u>3,650</u>
Total capital assets not being depreciated	<u>10,357</u>	<u>1,996</u>	<u>263</u>	<u>12,090</u>
<i>Capital assets being depreciated:</i>				
Buildings	50,505	140	-	50,645
Improvements other than buildings	5,498	-	69	5,429
Machinery and equipment	<u>1,388</u>	<u>129</u>	<u>21</u>	<u>1,496</u>
Total capital assets being depreciated	<u>57,391</u>	<u>269</u>	<u>90</u>	<u>57,570</u>
Less accumulated depreciation for:				
Buildings	24,187	2,047	-	26,234
Improvements other than buildings	3,093	226	67	3,252
Machinery and equipment	<u>531</u>	<u>206</u>	<u>6</u>	<u>731</u>
Total accumulated depreciation	<u>27,811</u>	<u>2,479</u>	<u>73</u>	<u>30,217</u>
Total capital assets being depreciated, net	<u>29,580</u>	<u>(2,210)</u>	<u>17</u>	<u>27,353</u>
Parking capital assets, net	<u>39,937</u>	<u>(214)</u>	<u>280</u>	<u>39,443</u>
Other business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	8,179	-	2,072	6,107
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>8,179</u>	<u>-</u>	<u>2,072</u>	<u>6,107</u>
<i>Capital assets being depreciated:</i>				
Buildings	13,063	-	-	13,063
Improvements other than buildings	19,685	2,246	60	21,871
Machinery and equipment	4,760	16	-	4,776
Furniture and Furnishings	<u>48</u>	<u>7</u>	<u>-</u>	<u>55</u>
Total capital assets being depreciated	<u>37,556</u>	<u>2,269</u>	<u>60</u>	<u>39,765</u>
Less accumulated depreciation for:				
Buildings	6,139	246	-	6,385
Improvements other than buildings	13,905	1,945	60	15,790
Machinery and equipment	3,706	189	-	3,895
Furniture and furnishings	<u>41</u>	<u>5</u>	<u>-</u>	<u>46</u>
Total accumulated depreciation	<u>23,791</u>	<u>2,385</u>	<u>60</u>	<u>26,116</u>
Total capital assets being depreciated, net	<u>13,765</u>	<u>(116)</u>	<u>-</u>	<u>13,649</u>
Other business-type activities, net	<u>21,944</u>	<u>(116)</u>	<u>2,072</u>	<u>19,756</u>
Business-type activity capital assets, net	<u>\$ 699,209</u>	<u>\$ 60,023</u>	<u>\$ 37,892</u>	<u>\$ 721,340</u>

CITY OF MILWAUKEE
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	Balance 01-01-07	Additions	Deletions	Balance 12-31-07
		<i>(Thousands of Dollars)</i>		
Component Units				
<i>Capital assets not being depreciated:</i>				
Land	\$ 58,399	\$ 36	\$ 470	\$ 57,965
Construction in Progress	18,251	34,654	3,700	49,205
Total capital assets not being depreciated	<u>76,650</u>	<u>34,690</u>	<u>4,170</u>	<u>107,170</u>
<i>Capital assets being depreciated:</i>				
Buildings	426,311	3,681	6,009	423,983
Improvements other than buildings	599	-	-	599
Machinery and equipment	4,177	111	50	4,238
Total capital assets being depreciated	<u>431,087</u>	<u>3,792</u>	<u>6,059</u>	<u>428,820</u>
Less accumulated depreciation for:				
Buildings	207,953	14,355	4,647	217,661
Improvements other than buildings	108	20	-	128
Machinery and equipment	3,660	108	40	3,728
Total accumulated depreciation	<u>211,721</u>	<u>14,483</u>	<u>4,687</u>	<u>221,517</u>
Total capital assets being depreciated, net .	<u>219,366</u>	<u>(10,691)</u>	<u>1,372</u>	<u>207,303</u>
Component units capital assets, net	<u>\$ 296,016</u>	<u>\$ 23,999</u>	<u>\$ 5,542</u>	<u>\$ 314,473</u>

5. DEFERRED REVENUE

Deferred revenue is recorded in the governmental funds for amounts not yet available and for resources received prior to being earned by the City. Related revenue is recognized when these amounts become available or when earned. The composition of the deferred revenue balances in the governmental funds is as follows:

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	<i>(Thousands of Dollars)</i>				
Current property taxes	\$ 149,263	\$ 93,257	\$ 8,276	\$ -	\$ 250,796
Delinquent property taxes	6,103	-	-	1,541	7,644
Unearned revenue	1,875	-	4,862	7,369	14,106
Long-term receivables	-	28,797	-	-	28,797
Unbilled special assessments	<u>-</u>	<u>-</u>	<u>10,120</u>	<u>-</u>	<u>10,120</u>
Total	<u>\$ 157,241</u>	<u>\$ 122,054</u>	<u>\$ 23,258</u>	<u>\$ 8,910</u>	<u>\$ 311,463</u>

CITY OF MILWAUKEE
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6. SHORT-TERM DEBT

During 2007, the City issued \$66,000,000 of General Obligation Cash Flow Promissory Notes, Series 2007 R2 (G.O. CFNs). The G.O. CFNs were issued for the purpose of financing the City's operating budget on an interim basis pending receipt of State of Wisconsin shared revenue payments due in November, 2007.

As of December 31, 2006, the City had outstanding \$175,000,000 of short-term Revenue Anticipation Notes (RANs) on behalf of Milwaukee Public Schools. In 2007, the City repaid the outstanding balance and issued \$188,000,000 short-term RANs for the same purpose. The new notes bear interest at the rate of 4.5% and will mature on September 4, 2008. The liability and related receivable to repay the revenue anticipation notes are recorded in the Debt Service Fund.

CITY OF MILWAUKEE
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7. LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2007 were as follows:

	Balance 01-01-07	Additions	Deductions	Balance 12-31-07	Amounts Due within One Year
	<i>(Thousands of Dollars)</i>				
Governmental activities:					
General obligation bonds and notes					
City	\$ 614,198	\$ 102,328	\$ 140,626	\$ 575,900	\$ 73,077
Milwaukee Public Schools	104,355	600	11,451	93,504	11,131
Deferred amount on refundings	(7,731)	-	(1,278)	(6,453)	-
Unamortized premiums	30,058	2,129	6,412	25,775	-
Compensated absences	35,546	-	4,762	30,784	1,739
Net other postemployment benefits obligation	-	64,560	27,683	36,877	-
Claims and judgments	24,991	8,327	10,710	22,608	4,901
Total governmental activities	<u>\$ 801,417</u>	<u>\$ 177,944</u>	<u>\$ 200,366</u>	<u>\$ 778,995</u>	<u>\$ 90,848</u>
Business-type activities					
Water Works					
General obligation bonds and notes	\$ 23,258	\$ -	\$ 3,362	\$ 19,896	\$ 2,845
Deferred amount on refundings	(695)	-	(176)	(519)	-
Unamortized premiums	1,139	-	197	942	-
Revenue bonds	12,075	-	869	11,206	891
Compensated absences	1,034	69	78	1,025	1,025
Net other postemployment benefits obligation	-	1,815	1,025	790	-
Total Water Works	<u>36,811</u>	<u>1,884</u>	<u>5,355</u>	<u>33,340</u>	<u>4,761</u>
Sewer Maintenance					
General obligation bonds and notes	33,990	11,825	22,180	23,635	19,701
State Loans	-	14,369	-	14,369	564
Revenue bonds	56,075	-	2,570	53,505	2,650
Unamortized premiums	2,214	70	297	1,987	-
Net other postemployment benefits obligation	-	630	356	274	-
Total sewer maintenance	<u>92,279</u>	<u>26,894</u>	<u>25,403</u>	<u>93,770</u>	<u>22,915</u>
Parking					
General obligation bonds and notes	12,748	1,065	2,080	11,733	2,218
Deferred amount on refundings	(233)	-	(40)	(193)	-
Unamortized premiums	313	-	56	257	-
Net other postemployment benefits obligation	-	492	278	214	-
Total parking	<u>12,828</u>	<u>1,557</u>	<u>2,374</u>	<u>12,011</u>	<u>2,218</u>
Other Enterprise Funds					
General obligation bonds and notes	4,140	12	480	3,672	483
Deferred amount on refundings	(55)	-	(10)	(45)	-
Unamortized premiums	77	-	14	63	-
Net other postemployment benefits obligation	-	103	58	45	-
Total Other Enterprise	<u>4,162</u>	<u>115</u>	<u>542</u>	<u>3,735</u>	<u>483</u>
Total business-type activities	<u>\$ 146,080</u>	<u>\$ 30,450</u>	<u>\$ 33,674</u>	<u>\$ 142,856</u>	<u>\$ 30,377</u>

CITY OF MILWAUKEE
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Compensated absences have been liquidated by the applicable governmental funds that account for the salaries and wages of the related employees. Claims and judgments typically have been liquidated from the special purpose damages and claims account in the general fund.

	Balance 01-01-07	New Issues	Repayments	Balance 12-31-07	Amounts Due within One Year
<i>(Thousands of Dollars)</i>					
Component Units					
Revenue bonds	\$ 111,701	\$ 2,524	\$ 3,088	\$ 111,137	\$ 11,465
Unamortized discounts	(118)	-	(8)	(110)	-
Notes payable	27,769	4,986	7,013	25,742	100
Advance from other organizations	300	-	300	-	-
Compensated absences	273	492	-	765	230
Net other postemployment benefits	-	500	-	500	-
Total component units	<u>\$ 139,925</u>	<u>\$ 8,502</u>	<u>\$ 10,393</u>	<u>\$ 138,034</u>	<u>\$ 11,795</u>

B. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the City and for Milwaukee Public Schools. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are secured by the full faith and unlimited taxing power of the City. The debt for governmental activities will be retired by future property tax levies and other resources accumulated in the Debt Service Funds. The debt for business-type activities (i.e. Water Works, Parking, and Port of Milwaukee Enterprise Funds) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies. During the year ended December 31, 2007, general obligation bonds totaling \$5,976,000 were issued to finance capital improvements.

Use of Public Debt Amortization Fund for retirement of the public debt is governed by the Wisconsin Statutes. The Statutes provide that when total principal and accrued interest in the Public Debt Amortization Fund is substantially equal to the outstanding general obligation bonds and notes, the resources in the fund shall be applied to make annual interest and principal payments on that debt to maturity. The Statutes provide, in part, that "The Public Debt Commission may, however, at any time, apply the fund, not to exceed in any one year 40 percent of the balance in said fund on the preceding December 31, to acquire for cancellation general obligation bonds or notes prior to their maturity dates at prices not to exceed principal plus accrued interest to date of maturity, but the fund shall not be decreased below \$2,000,000 as a result of such purchases and cancellations." Principal sources of revenue are one-third of all interest on general City investments and interest on Fund investments. As authorized by the Statutes, the Public Debt Amortization Fund may purchase for investment or for cancellation, notes issued by the General Fund to fund operations. Prior to 2007, the City financed projects by issuing Bonds and Notes to other funds using the Public Debt Amortization funds per the Wisconsin Statutes. For legal purposes these are debt obligations of the City but for GAAP purposes are considered transfers and or receivables. On December 31, 2007, the total amount of these bonds and notes is \$23,021,000.

Through 2007, \$131,027,000 has been borrowed and outstanding for forty-eight tax incremental districts (TID). Total debt service requirements associated with these debt issues amounts to \$180,373,000. Tax increments received through 2007 total \$153,552,796. In any year in which TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the property tax levy.

Under the Wisconsin Statutes, the City is required, if requested by the Board of Milwaukee Public Schools, and if approved by referendum, to issue general obligation bonds to finance purchases of school sites and to construct or remodel school buildings. No such bonds are currently outstanding. The \$93,504,000 of Milwaukee Public School long-term debt outstanding at December 31, 2007 consists of a portion of the City's general obligation bonds and notes which has been designated for school purposes. Under the Wisconsin Statutes, the City has title to the land and buildings of the Milwaukee Public Schools. However, the City does not control the use of the assets or receive the proceeds upon disposition of the assets. At June 30, 2007, the historical costs of the land and buildings as reported by Milwaukee Public Schools was approximately \$949,666,000. These assets are excluded from the financial statements of the City.

CITY OF MILWAUKEE
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C. Revenue Bonds

The City issues revenue bonds to provide funds for water and sewer improvements. As such, they are not backed by the general credit or taxing powers of the City. During 2007 the City received loans from the State for the Clean Water Fund Program permitted under State Statutes to provide financial assistance for specific Sewer Maintenance Enterprise Fund projects for a total of \$14,369,000. The loans will be repaid from revenues of the Sewer Maintenance Enterprise Fund.

The component units issue revenue bonds to provide funds for capital construction and mortgage-backed securities. As such, they are not backed by the general credit or taxing powers of the City.

D. Notes Payable

The City issues installment notes to provide funds for various public improvement projects, cashflow for the school district and purchases of delinquent taxes. During the year ended December 31, 2007, installment loans totaling \$30,952,000 were issued to provide the school district cashflow, finance building projects and purchase 2006's delinquent taxes.

CITY OF MILWAUKEE
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FOR THE YEAR ENDED DECEMBER 31, 2007

E. Debt Service Requirements

The maturities of the outstanding principal and related interest requirements are as follows:

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
(Thousands of Dollars)					
Governmental activities					
2008	\$ 84,208	\$ 31,445	\$ -	\$ -	\$ 115,653
2009	71,974	27,512	-	-	99,486
2010	65,085	24,086	-	-	89,171
2011	59,619	20,901	-	-	80,520
2012	55,073	18,020	-	-	73,093
2013-2017	214,439	53,481	-	-	267,920
2018-2022	99,986	13,653	-	-	113,639
2023-2027	19,020	736	-	-	19,756
Total	<u>\$ 669,404</u>	<u>\$ 189,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 859,238</u>
Business-type activities					
Water Works					
2008	\$ 2,845	\$ 959	\$ 891	\$ 284	\$ 4,979
2009	1,989	850	915	260	4,014
2010	2,492	753	939	236	4,420
2011	2,966	634	964	211	4,775
2012	2,492	494	989	185	4,160
2013-2017	7,067	807	5,351	513	13,738
2018-2020	45	3	1,157	15	1,220
Total	<u>\$ 19,896</u>	<u>\$ 4,500</u>	<u>\$ 11,206</u>	<u>\$ 1,704</u>	<u>\$ 37,306</u>
Sewer Maintenance					
2008	\$ 19,701	\$ 974	\$ 3,214	\$ 2,836	\$ 26,725
2009	268	176	3,318	2,721	6,483
2010	270	164	3,432	2,594	6,460
2011	271	153	3,547	2,456	6,427
2012	273	141	3,672	2,305	6,391
2013-2017	1,467	514	20,723	8,846	31,550
2018-2022	1,385	173	23,218	3,592	28,368
2023-2027	-	-	6,750	323	7,073
Total	<u>\$ 23,635</u>	<u>\$ 2,295</u>	<u>\$ 67,874</u>	<u>\$ 25,673</u>	<u>\$ 119,477</u>
Parking					
2008	\$ 2,218	\$ 554	\$ -	\$ -	\$ 2,772
2009	1,640	451	-	-	2,091
2010	1,237	379	-	-	1,616
2011	1,169	320	-	-	1,489
2012	1,012	263	-	-	1,275
2013-2017	3,493	655	-	-	4,148
2018-2022	964	96	-	-	1,060
Total	<u>\$ 11,733</u>	<u>\$ 2,718</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,451</u>

CITY OF MILWAUKEE
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Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
(Thousands of Dollars)					
Other Enterprise					
2008	\$ 483	\$ 180	\$ -	\$ -	\$ 663
2009	504	155	-	-	659
2010	425	131	-	-	556
2011	425	110	-	-	535
2012	385	88	-	-	473
2013-2017	1,226	186	-	-	1,412
2018-2022	224	18	-	-	242
Total	\$ 3,672	\$ 868	\$ -	\$ -	\$ 4,540
Total Component Units					
2008	\$ 100	\$ 885	\$ 11,465	\$ 4,046	\$ 16,496
2009	110	881	495	3,595	5,081
2010	118	873	515	3,570	5,076
2011	127	865	535	3,544	5,071
2012	135	856	570	3,517	5,078
2013-2017	1,987	4,110	1,900	17,278	25,275
2018-2022	2,503	3,600	6,967	16,352	29,422
2023-2027	49	3,083	21,295	13,684	38,111
2028-2032	63	3,069	-	11,963	15,095
2033-2037	2,081	2,806	-	11,963	16,850
2038-2042	4,893	2,245	67,395	6,379	80,912
2043-2047	9,883	846	-	-	10,729
2048-2052	59	50	-	-	109
2053-2057	127	31	-	-	158
Total	\$ 22,235	\$ 24,200	\$ 111,137	\$ 95,891	\$ 253,463

F. Debt Limit

Wisconsin Statutes limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. The Statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. At December 31, 2007 the City's legal debt margin was \$1,444,327,000. Of this amount, \$604,540,000 was for school purposes and \$839,787,000 was for City purposes.

G. Refundings

In prior years, the City defeased certain general obligation bonds by placing the proceeds from new general obligation bonds in an irrevocable trust to provide all future debt service payments on the bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At December 31, 2007, \$115,405,000 of bonds outstanding are considered defeased, which includes debt defeased during the current year.

H. Conduit Debt

From time to time, the City, as well as the Housing Authority and the Redevelopment Authority, has issued revenue bonds in order to provide financing to private sector entities for the purpose of acquiring, constructing, or rehabilitating housing units and for retiring the existing debt associated with housing units. These obligations are primarily secured by mortgage or revenue agreements on the associated projects and, together with the interest obligation, is payable solely by the developers from leased rentals and other funds or revenues. In addition, these obligations do not constitute indebtedness of the City, as the City has no responsibility for the debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of all revenue bonds outstanding at December 31, 2007 is approximately \$65,446,000 for the City and \$549,000,000 for RACM.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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8. RETIREMENT PLANS

Pension Benefits

Plan Description - The City makes contributions to the Employees' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined benefit pension plan, on behalf of all eligible City employees. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The City Charter assigns the authority to establish and amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employees' Retirement System of the City of Milwaukee, 200 East Wells Street, Room 610, Milwaukee, WI 53202.

Funding Policy - Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5%, 7%, 7%, and 7% for general City employees, police officers, firefighters, and elected officials, respectively. New hires who are not sworn police/fire must pay 1.6% of pensionable earnings for 8 years to fund the cost of benefit escalators due to the Global Pension Settlement. The City is required to contribute the actuarially determined amount. The City Charter assigns the authority to establish and amend contribution requirements. The City's contributions to the System for the years ending December 31, 2007, 2006, and 2005, were \$23,330,000, \$22,751,000, and \$23,619,000, respectively, equal to the required contributions on behalf of the plan members for each year.

Other Postemployment Benefits

The City provides other postemployment benefits (OPEB) to its retirees for health and life insurance.

Plan Description. The City provides a single-employer defined benefit healthcare plan and life insurance administered by both the City and Milwaukee's Employee Retirement System (MERS). The City provides medical insurance benefits for substantially all retirees in accordance with terms set forth in labor contracts or by Common Council resolution. Retirees are eligible to enroll in any of the group plans offered by the City. Aside from the Basic Plan, this includes a Health Maintenance Organization (HMO) plan currently offered to active employees. The City provides full health insurance coverage to general City employees who retire at age 55, but less than age 65, with 30 years of creditable service or age 60, but less than age 65, with 15 years of creditable service until the age of 65. Management employees retiring beginning in 2004 at age 55, but less than 65, pay a portion of health insurance the same as active management employees. In accordance with a "percentage formula" as provided in labor agreements, the City provides between 65% and 100% of the cost of the Basic Plan coverage for firefighters and police officers who retire with 25 years of creditable service and having attained at least the age of 52 but less than 60. Upon reaching the age of 60 but prior to the age of 65, the City provides full health insurance coverage for firefighters and police officers with single enrollment status. The City contribution for firefighters and police officers between the ages of 60 and 65 with family enrollment status is the greater of 100% of the cost of single enrollment in the Basic Plan or an amount determined using the "percentage formula." The "percentage formula" used to determine the City contribution in the labor agreements is based on the amount of unused sick leave at retirement.

After attaining the age of 65 and having completed a minimum of 15 years of creditable service, all retirees are eligible to enroll in a "subsidized plan" for medical insurance. Under this plan, the City contributes 25% of the base rate toward retirees enrolled in the Basic Plan, while the retiree pays 75% of the base rate and 100% of the major medical rate. For those retirees enrolled in an HMO, the City contributes a 25% subsidy of the applicable HMO premium.

In addition to medical insurance, the City allows its employees to continue life insurance coverage under the Group Life Insurance Plan offered to active employees in accordance with Section 350-25 of the Code of Ordinances. The base amount of coverage for general City employees is equal to the employee's annual basic salary to the next higher thousand dollars. The base amount of coverage for firefighters and police officers is equal to one and one-half the employee's annual basic salary to the next higher thousand dollars.

General City employees retiring at age 55 or older with 20 years of service or at age 60 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage at the level on the date prior to their date of retirement. Firefighters and police officers retiring at age 52 or older with 20 years of service or at age 57 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage up to their base amount of coverage on the date prior to their date of retirement. Prior to age 65, all retirees are required to pay the full premium rates as established by the insurance carrier, less an adjustment for estimated dividends. The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching the age of 65, those retirees

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still part of the group life plan have their coverage reduced in accordance with the reduction schedule in effect on their last day physically at work, with the City assuming all future premiums.

Funding Policy. The contribution of plan members and the City are established and may be amended by the City. The required contribution for medical and life insurance for retirees is based on a pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2007, the City and plan members receiving benefits paid approximately \$28,100,000 and \$1,300,000, respectively, toward medical and life insurance for retirees.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan (pay-as-you basis), and the changes in the City's net OPEB obligation:

Annual Required contribution (ARC)	\$ 67,600,000
Interest on Net OPEB Obligation	-
Adjustment to ARC	-
Annual OPEB Cost	67,600,000
Contribution made	<u>29,400,000</u>
Increase in net OPEB Obligation	38,200,000
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u>\$ 38,200,000</u>

The City annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2007 were as follows:

Annual Cost and Net OPEB Liability

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2007	\$ 67,600,000	43.5%	\$ 38,200,000

Funded Status and Funding Progress. As of January 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$806,300,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$806,300,000. The covered payroll (annual payroll of active employees covered by the plan) was \$412,700,000 million and the ratio of the UAAL to the covered payroll was 195.4 percent.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. The retiree healthcare valuation was based on the projected unit credit (PUC) cost method. The PUC method produces an explicit normal cost and actuarial accrued liability. The normal cost and actuarial accrued liability are directly proportional to the employee's service. That is, the normal cost equals the present value of future benefits divided by projected service at retirement, and the actuarial accrued liability equals the present value of benefits multiplied by the ratio of service at valuation date to projected service at retirement. Depending on the demographic characteristics of the current group and new entrants in the future, this method could produce stable annual costs, in the aggregate, when expressed as a percentage of pay.

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The OPEB valuation uses a discount rate assumption of 4.5 percent based on the City's projected short-term investment rate of return. The healthcare cost trends rate is 10 percent initially, and reduced by decrements to the ultimate rate of 4.5 percent after 10 years.

Terminal Leave Payments

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with labor contracts and Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive between \$45 and \$65 for each work shift equivalent of unused sick leave. Firefighters whose normal hours of work average 40 hours per week receive between \$21 and \$30 for each work shift equivalent of unused sick leave. Police officers receive payment for up to 55 days of unused sick leave at base pay. Management pay plan employees are entitled to payment of 30% of unused sick leave (maximum 960 hours) plus one-half of the sick leave days accumulated during the last twelve months of service for up to six additional days for a total maximum of 42 days at the rate of pay at retirement. Substantially all remaining City employees receive up to 30 days for unused sick leave as terminal leave, although some bargaining units receive slightly different benefits in accordance with related labor agreements. In 2007, approximately \$9,897,000 was paid for sick leave from all funds. At December 31, 2007 accumulated sick leave earned but not taken totaled approximately \$151,466,000 determined on the basis of current salary rates.

Terminal leave pay is funded on a pay-as-you-go basis and provided for in the salary budgets of the respective departments annually. In 2007 terminal leave payments totaled \$1,137,000 to employees retiring during the year. As of December 31, 2007, the City has accrued approximately \$15,621,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of \$30,784,000 with the remainder accrued vacation leave of \$15,163,000.

9. FUND EQUITY

Reserved for Tax Stabilization and Advances to Other Funds

The Reserved for Tax Stabilization, \$62,704,000 at December 31, 2007, is governed by the City's Code of Ordinances. This reserve includes an amount for advances of \$14,032,000 from the general fund to the capital projects fund. The general fund has advanced this amount to fund special assessment projects. The availability of the \$14,032,000 for Tax Stabilization is contingent upon future collection of the special assessments receivable. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the Reserved for Tax Stabilization in any one year is an amount that prevents an increase of more than three percent in the City's property tax rate, as defined, and is anticipated to be available as of April 15 of the year covered by the budget. Such amount must be included in the adopted budget, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council.

Fund deficit

The Capital Projects Fund had a deficit fund balance of \$67,193 as of December 31, 2007 which is the result of expending funds for construction in advance of issuing general obligation bonds. The City plans to eliminate the fund deficit through the issuance of general obligation bonds in 2008.

CITY OF MILWAUKEE
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10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2007, were as follows:

		Due From			
		General Fund	Water Works	Sewer Maintenance Fund	Nonmajor Enterprise Funds
			(Thousands of Dollars)		
Due To	General Fund	\$ -	\$ 898	\$ -	\$ -
	General Obligation Debt	2,718	3,804	-	-
	Capital Projects	46,983	-	-	-
	Nonmajor Governmental Funds	6,184	-	-	-
	Water Works	7,388	-	1,285	1,117
	Sewer Maintenance	5,451	-	-	-
	Nonmajor Enterprise Funds ...	9,936	-	-	-
	Totals	<u>\$ 78,660</u>	<u>\$ 4,702</u>	<u>\$ 1,285</u>	<u>\$ 1,117</u>
					<u>\$ 85,764</u>

Balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made, (4) and funds overdraw their share of pooled cash or when there are transactions between funds where one fund does not participate in the City's pooled cash.

Interfund transfers for the year ended December 31, 2007 were as follows:

Funds Transferred To	Fund Transferred From	Amount	Purpose
General Fund	General Obligation Debt	\$ 6,568	Funding for debt payments
	Nonmajor Governmental Funds	6,345	Subsidize uncollected property taxes
	Water Works	7,767	Payment in Lieu of taxes
	Parking	1,028	Payment in Lieu of taxes
	Parking	15,800	Subsidy for operations
	Nonmajor Enterprise Funds	3,053	Excess earnings of Port
	Subtotal General Fund	<u>40,561</u>	
Debt Service	General	66,000	Funding for cash flow debt
	General	2,076	Funding for debt payments
	Public Debt Amortization	10,230	Funding for debt payments
	Capital Projects	2,502	Tax Incremental District closeouts
	Nonmajor Governmental Funds	14,560	Funding for debt payments
	Sewer Maintenance	9,000	Subsidy for operations
	Parking	518	Subsidy for operations
	Subtotal Debt Service	<u>104,886</u>	
Nonmajor Enterprise	General Fund	3	Subsidy for operations
	General Obligation Debt	680	Funding for debt payments
	Subtotal Nonmajor Proprietary	<u>683</u>	
	Total Interfund Transfers	<u>\$ 146,130</u>	

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Transfers are used to (1) move revenues from the fund that statute or budget requires collection from to the fund that statute or budget required to expend them. (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS

Balances due to and due from component units as of December 31, 2007, consist of the following:

Component Unit Payable	Primary Government's Receivable <i>(Thousands of Dollars)</i>
Due from HACM for reimbursable expenditures	\$ 2,439
Due from HACM for payment in lieu of taxes	924
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate	12,485
Due from RACM for reimbursable expenditures	7
Due from RACM for	32
Due from MEDC for tax incremental district loans	1,481
Due from NIDC for home and Community Development Block grants	135
Due from NIDC for reimbursements for expenditures	<u>-</u>
Total	<u>\$ 17,503</u>

Component Unit Receivable	Primary Government's Payable <i>(Thousands of Dollars)</i>
Due to RACM Community Development Block grants and Home grants.....	\$ 85
Due to RACM for project expenditures	158
Due to MEDC Community Development Block grants	<u>25</u>
Total	<u>\$ 268</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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12. OPERATING LEASES

The City is the lessor for various properties under operating lease agreements expiring at various dates through 2008 and beyond. Certain leases contain provisions for possible renewal at term of the lease.

Scheduled minimum lease payments for years ending December 31 are as follows:

Year	Amount
<i>(Thousands of Dollars)</i>	
2008	\$ 3,286
2009	2,927
2010	3,188
2011	2,948
2012	2,958
2013-2017	13,702
2018-2022	9,033
2023-2027	2,906
2028 and beyond	<u>8,026</u>
Total	<u>\$ 48,974</u>

13. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2007 expenditures exceeded appropriations for services and salaries in the operations division of the Department of Public Works within the General Fund by \$4,232,000. The Council has approved the issuance of general obligation debt to provide funding for these over-expenditures.

14. COMMITMENTS AND CONTINGENCIES

Claims and Other Legal Proceedings

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employee or natural disaster. With certain exceptions, it is not the policy of the City to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for reasonably estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations. Current settlements are paid from the General Fund and recorded as expenditures when paid in the fund based statements. The liabilities are recorded in the government-wide financial statement.

Under Wisconsin Statutes, the amount recoverable by any person for any damages, injuries or death in any action founded on fact against the City, agencies, officials, officers or employees cannot exceed \$50,000, with certain exceptions.

The City is self-insured for workers' compensation, health insurance (basic plan), uninsured motorist motor vehicle coverage for City employees, and general liability. Liabilities are reported when it is probable that a loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other economic and social factors. Claims are paid from the General Fund and recorded as expenditures when paid in the fund based financial statements. The liabilities are recorded in the government-wide statements.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2007

The liabilities recorded as long-term debt in the government-wide statements at December 31, 2007 are as follows:

General liability claims	\$ 11,642,000
Workers' compensation claims	880,000
Unemployment claims	7,440,000
Health insurance claims	2,646,000

Changes in the balances of claim liabilities during the past two years are as follows:

	2006	2007
Beginning of year liability	\$ 25,665,000	\$ 24,991,000
Current year claims and changes in estimates	8,977,000	8,327,000
Claim payments	<u>(9,651,000)</u>	<u>(10,710,000)</u>
End of year liability	<u>\$ 24,991,000</u>	<u>\$ 22,608,000</u>

The Milwaukee Police Association (MPA) alleged that The Milwaukee Employees' Retirement System (ERS) was prohibited by City ordinance from spending more than \$3 million to purchase and install a computer information system. It estimates that the total cost of ERS information system is approximately \$25 million. The MPA suit was subsequently voluntarily dismissed in 2005 and a clone case was brought by the Milwaukee Police Supervisors Organization (MPSO). Another union, the Association of Law Enforcement Allied Services Personnel (ALEASP) has joined the lawsuit as a plaintiff. The dispute in the case is over the interpretation of the section of the City ordinance that transferred all administrative, operational, and investment expenses for the City to ERS. Extensive discovery has commenced in the case.

On October 24, 2004, Frank Jude, Kirsten Antonissen, Katie Brown, and Lovell Harris attended a party in the city hosted by a Milwaukee police officer and to which a number of other police officers had been invited. At some point, a number of the off-duty officers became involved in an altercation with Mr. Jude. Jude claims that he was beaten for no reason and he did suffer severe injuries. The off-duty officers claim that they became involved with Jude only after they suspected that he had stolen a badge from one of them. They also claim that Jude resisted their efforts to obtain physical control of him. On-duty police were also called to the scene and Jude claims that they, too, used excessive force on him and failed to stop the use of excessive force by those off-duty officers who were striking Mr. Jude. In addition to issues concerning the cause of the altercation, its actual participants, and its course, there is a substantial question of whether the off-duty officers involved in the matter were acting within the scope of their employment. The four above cases have been consolidated and all proceedings had been stayed pending the outcome of criminal trials. The county prosecutor charged three of the off-duty officers with crimes, but in April 2006 two were found not guilty and the jury could not reach a final verdict as to one charge against the third. Federal authorities indicted eight officers, with civil rights violations, and those cases, proceeded to trial in July 2007. Three of the officers were found guilty and one was acquitted. The other four officers entered into plea agreements. Now that all criminal trials have concluded, the court approved a one-year discovery period, with an extra 180 days for expert discovery. Dispositive motions are due December 1, 2009.

Environmental Liabilities

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Two of the seven landfills have been closed. Of the remaining four landfills that are no longer accepting waste, the Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The Hartung landfill, which is used exclusively for clean fill, is expected to be closed within three years. The City has accrued \$980,000 in the government-wide financial statement, as part of general liability claims, for landfill closure related to the four sites. These amounts are based upon what it would cost to perform all closure activities in 2001. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

GASB Statement No. 18 "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs" establishes requirements for disclosure of closure and postclosure requirements for all municipal solid waste landfills receiving solid waste after October 9, 1991. The City's landfills have not accepted waste of this type since 1976 and is therefore not required to accrue for closure and postclosure care in accordance with GASB Statement No. 18.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Construction Commitments

The governmental activities and the Water Works Fund (enterprise) have construction commitments of \$45,788,000 and \$5,498,000, respectively, for various capital improvement projects at December 31, 2007.

Intergovernmental grants

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements at December 31, 2006.

15. SUBSEQUENT EVENTS

On February 8, 2008 the City issued \$75,000,000 of Commercial Paper notes, 2008 Program Series C2, all of which mature during 2008 with automatic rollovers at maturity to finance various public improvements.

On March 13, 2008, the City issued \$90,000,000 of short-term revenue anticipation notes for the purpose of temporarily financing the City's operating budget until the receipt of State shared revenues. These notes mature on December 15, 2008 with interest.

On March 13, 2008, the City issued \$6,925,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects of the City. These bonds mature on March 15 of each year beginning 2019 until 2023. Interest is payable on March 15 and September 15 commencing March 15, 2019.

On March 13, 2008, the City issued \$37,125,000 of general obligation short-term promissory notes for the purpose of financing various public improvement projects of the City. The notes mature on March 15 of each year beginning 2009 until 2018. Interest is payable on March 15 and September 15 commencing March 15, 2009.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (Thousands of Dollars)

Exhibit E-1

	Budgeted Amounts		Actual -	Variance
	Original	Final	Amounts	Positive
	Budget	Budget	Budgetary	(Negative)
			Basis	
Revenues:				
Property taxes	\$ 143,598	\$ 143,598	\$ 137,253	\$ (6,345)
Other taxes	3,498	3,498	5,311	1,813
Licenses and permits	11,776	11,776	13,704	1,928
Intergovernmental	273,032	273,043	272,539	(504)
Charges for services	73,613	73,807	76,496	2,689
Fines and forfeits	5,206	5,206	5,800	594
Other	14,014	14,049	18,883	4,834
Total Revenues	524,737	524,977	529,986	5,009
Expenditures:				
Current:				
General government	206,646	207,931	201,021	6,910
Public safety	248,957	257,219	257,137	82
Public works	87,888	89,885	93,956	(4,071)
Health	10,329	10,359	10,359	-
Culture and recreation	17,447	17,791	17,548	243
Conservation and development	3,222	3,320	3,279	41
Total Expenditures	574,489	586,505	583,300	3,205
Deficiency of Revenues over Expenditures	(49,752)	(61,528)	(53,314)	8,214
Other Financing Sources (Uses):				
General obligation bonds and notes issued	-	13,369	70,232	56,863
Transfers in	25,920	32,488	40,561	8,073
Transfers out	-	(3)	(68,079)	(68,076)
Contributions received	29,473	30,157	22,270	(7,887)
Contributions used	(29,401)	(27,666)	(21,760)	5,906
Use of fund balance - reserved for tax stabilization ...	23,175	23,175	23,175	-
Total Other Financing Sources and Uses	49,167	71,520	66,399	(5,121)
Net Change in Fund Balance	(585)	9,992	13,085	3,093
Fund Balance - Beginning (Excludes Reserved for Tax Stabilization)	82,000	82,000	82,000	-
Fund Balance - Ending	\$ 81,415	\$ 91,992	\$ 95,085	\$ 3,093

Explanation of Differences of Budget to GAAP:

For budget purposes, the fund balance - reserved for tax stabilization is reflected as other financing sources whereas for accounting purposes, it is reflected as part of fund balance. The difference between the fund balance on a GAAP basis compared to budget basis is \$23.175 million at January 1, 2007. In addition, budgeted expenditures do not include capital lease payments as public safety expenditures.

Contributions received and used for budget purposes are reported as other financing sources, but for GAAP are considered to be revenues and expenditures.

See accompanying independent auditors' report.

CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit E-2

Retiree Health and Life Insurance

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2007	-	\$ 806,300,000	\$ 806,300,000	0.0%	\$ 412,731,863	195.4%

See accompanying independent auditors' report.

CITY OF MILWAUKEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007

Budgets and Budgetary Accounting

City departments are required to submit their annual budget requests for the ensuing year to the Mayor by the second Tuesday in May. The Department of Administration, Division of Budget and Management Analysis, acting as staff for the Mayor, reviews the request in detail with the departments during June and July. After all of the requests have been reviewed, the Mayor submits his proposed Executive Budget to the Common Council. The City Charter requires that this be done on or before September 28. The Common Council must complete its review and adopt the budget on or before November 14. Once adopted, Common Council approval is required to amend the total appropriations by a department, the legal level of control for each budget. During the year, various amendments were made to the budget including carryovers of appropriations and encumbrances, and internal transfers.

Annual budgets are legally adopted by the Common Council for some but not all governmental funds. Annual budgets are not adopted for Special Revenue Fund - Delinquent Tax, Debt Service Fund - Public Debt Amortization and Capital Projects Funds. The Debt Service Fund - General Obligation Debt uses a non-appropriated budget. Budgets for Capital Projects Funds are prepared for the project life, rather than for the standard current fiscal year. Therefore, project appropriations for these budgets lapse at the conclusion of the project. All other appropriations lapse at the end of the current fiscal year. Governmental funds for which annual budgets have been adopted are included in the accompanying Required Supplementary Information Budgetary Comparison Schedule and in the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.

Schedule of Funding Progress – Actuarial Methods and Assumptions

Valuation date	July 1, 2007
Actuarial cost method	Projected unit credit
Amortization method	Level-dollar
Amortization period	30 years (open)
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.5%
Health care inflation rate	10% initial
	4.5% ultimate

**COMBINING
AND INDIVIDUAL
FUND STATEMENTS
AND SCHEDULES**

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Nonmajor Governmental Funds

Nonmajor funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Grant and Aid Projects – This fund is used to account for Federal and State grants whose proceeds are legally restricted to expenditures for specific purposes and which are not accounted for in other special revenue funds.

Community Development Block Grant – The Community Development Block Grant Program receives annual grants pursuant to the Federal Housing and Community Development Act of 1974. This fund also includes amounts received under the Section 108 Loan Program. The City's Department of Administration is responsible for the planning, execution and evaluation of the Program.

Delinquent Tax – This fund was established as a reserve against uncollected delinquent property taxes. Fund resources, consisting initially of bond proceeds, are used to purchase delinquent property taxes from the General Fund. Collections on these purchased receivables and related interest thereon are transferred to the General Obligation Debt Service Fund to provide for the related debt service requirements.

Economic Development Fund – This fund provides expenditure authority for owner financed economic development in commercial areas, including the Business Improvement District program.

CITY OF MILWAUKEE
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2007
 (Thousands of Dollars)

Exhibit F-1

	Grant and Aid Projects	Community Development Block Grant	Delinquent Tax	Economic Development	Total Nonmajor Governmental Funds
ASSETS					
Assets:					
Cash and cash equivalents	\$ 3,371	\$ -	\$ 9,962	\$ 1,402	\$ 14,735
Receivables (net):					
Taxes	-	-	8,258	-	8,258
Accounts	74	281	-	-	355
Notes and loans	18,096	2,211	-	-	20,307
Due from component units	43	124	-	-	167
Due from other governmental agencies	8,287	2,411	-	-	10,698
Total Assets	\$ 29,871	\$ 5,027	\$ 18,220	\$ 1,402	\$ 54,520
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,011	\$ 2,239	\$ -	\$ -	\$ 4,250
Accrued expenses	104	95	-	-	199
Due to other funds	6,089	95	-	-	6,184
Due to component units	4	106	-	-	110
Due to other governmental agencies	148	281	-	-	429
Deferred revenue	7,369	-	1,541	-	8,910
Total Liabilities	15,725	2,816	1,541	-	20,082
Fund Balances:					
Reserved for debt service	-	-	9,962	-	9,962
Reserved for delinquent taxes receivable ..	-	-	6,717	-	6,717
Reserved for economic development	-	-	-	1,402	1,402
Unreserved, undesignated	14,146	2,211	-	-	16,357
Total Fund Balances	14,146	2,211	16,679	1,402	34,438
Total Liabilities and Fund Balances .	\$ 29,871	\$ 5,027	\$ 18,220	\$ 1,402	\$ 54,520
<i>See accompanying independent auditors' report.</i>					

CITY OF MILWAUKEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (Thousands of Dollars)

Exhibit F-2

	Grant and Aid Projects	Community Development Block Grant	Delinquent Tax	Economic Development	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	\$ -	\$ -	\$ 3,501	\$ -	\$ 3,501
Intergovernmental	37,953	18,079	-	-	56,032
Other	-	-	2,561	7,580	10,141
Total Revenues	37,953	18,079	6,062	7,580	69,674
Expenditures:					
Current:					
General government	-	2,073	994	-	3,067
Public safety	9,786	1,533	-	-	11,319
Public works	3,536	286	-	-	3,822
Health	11,822	107	-	-	11,929
Culture and recreation	1,011	1,155	-	-	2,166
Conservation and development	8,570	12,925	-	6,180	27,675
Total Expenditures	34,725	18,079	994	6,180	59,978
Excess (deficiency) of Revenues over Expenditures	3,228	-	5,068	1,400	9,696
Other Financing Sources (Uses):					
General obligation bonds and notes issued .	-	-	15,610	-	15,610
Loans receivable activities.....	5,415	(440)	-	-	4,975
Transfers out	-	-	(20,905)	-	(20,905)
Total Other Financing Sources and Uses	5,415	(440)	(5,295)	-	(320)
Net Change in Fund Balances	8,643	(440)	(227)	1,400	9,376
Fund Balances - Beginning	5,503	2,651	16,906	2	25,062
Fund Balances - Ending	\$ 14,146	\$ 2,211	\$ 16,679	\$ 1,402	\$ 34,438

See accompanying independent auditors' report.

CITY OF MILWAUKEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GRANT AND AID PROJECTS
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (Thousands of Dollars)

Exhibit F-3

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 35,322	\$ 37,953	\$ 2,631
Expenditures:			
Current:			
Public safety	10,012	9,786	226
Public works	3,536	3,536	-
Health	12,182	11,822	360
Culture and recreation	1,022	1,011	11
Conservation and development	8,570	8,570	-
Total Expenditures	35,322	34,725	597
Excess of Revenues over (under) Expenditures	-	3,228	3,228
Other Financing Sources (Uses):			
Loans receivable activities	-	5,415	5,415
Transfers out	-	-	-
Net Change in Fund Balance	-	8,643	8,643
Fund Balance - Beginning	-	5,503	5,503
Fund Balance - Ending	\$ -	\$ 14,146	\$ 14,146

See accompanying independent auditors' report.

Exhibit F-4

See accompanying independent auditors' report.

CITY OF MILWAUKEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT
 FOR THE YEAR ENDED DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit F-5

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Other	\$ 7,717	\$ 7,580	\$ (137)
Expenditures:			
Current:			
Conservation and development	6,307	6,180	\$ 127
Excess of Revenues over (under) Expenditures	1,410	1,400	(10)
Fund Balance - Beginning	2	2	-
Fund Balance - Ending	\$ 1,412	\$ 1,402	\$ (10)

See accompanying independent auditors' report.

Nonmajor Enterprise Funds

Enterprise Funds are used to account for operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Port of Milwaukee – All activities necessary to operate and maintain the Port of Milwaukee and other related harbor activities are accounted for in this fund.

Metropolitan Sewerage District User Charge – The Metropolitan Sewerage District User Charge Fund is used to account for sewerage treatment charges by the Milwaukee Metropolitan Sewerage District to the City on a “wholesale” user charge basis and the subsequent billing by the City to customers on a “retail” basis. The City adds administrative expense to the District’s charges and includes the sewer user charges on the quarterly water bills.

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
 DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit G-1

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Receivables (net):			
Accounts	\$ 1,555	\$ 8,491	\$ 10,046
Unbilled accounts	-	2,144	2,144
Due from other funds	-	1,117	1,117
Total Current Assets	<u>1,555</u>	<u>11,752</u>	<u>13,307</u>
Noncurrent assets:			
Capital assets:			
Capital assets not being depreciated:			
Land	6,107	-	6,107
Capital assets being depreciated:			
Buildings	13,063	-	13,063
Improvements other than buildings	21,871	-	21,871
Machinery and equipment	4,776	-	4,776
Furniture and furnishings	55	-	55
Accumulated depreciation	<u>(26,116)</u>	<u>-</u>	<u>(26,116)</u>
Total Noncurrent Assets	<u>19,756</u>	<u>-</u>	<u>19,756</u>
Total Assets	<u>21,311</u>	<u>11,752</u>	<u>33,063</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	269	8,853	9,122
Accrued expenses	151	1	152
Accrued interest payable	109	-	109
Due to other funds	2,312	7,624	9,936
Deferred revenue	-	-	-
General obligation debt payable - current	<u>483</u>	<u>-</u>	<u>483</u>
Total Current Liabilities	<u>3,324</u>	<u>16,478</u>	<u>19,802</u>
Noncurrent Liabilities:			
General obligation debt	3,207	-	3,207
Other post employment benefits obligation	<u>45</u>	<u>-</u>	<u>45</u>
Total Noncurrent Liabilities	<u>3,252</u>	<u>-</u>	<u>3,252</u>
Total Liabilities	<u>6,576</u>	<u>16,478</u>	<u>23,054</u>
NET ASSETS:			
Invested in capital assets, net of related debt	16,066	-	16,066
Unrestricted	<u>(1,331)</u>	<u>(4,726)</u>	<u>(6,057)</u>
Total Net Assets (Accumulated Deficit)	<u>\$ 14,735</u>	<u>\$ (4,726)</u>	<u>\$ 10,009</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (Thousands of Dollars)

Exhibit G-2

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for Services:			
Statutory sewer user fee	\$ -	\$ 30,258	\$ 30,258
Rent	6,022	-	6,022
Other	-	907	907
Total Operating Revenues	<u>6,022</u>	<u>31,165</u>	<u>37,187</u>
Operating Expenses:			
Milwaukee Metropolitan Sewerage District Charges	-	27,808	27,808
Employee services	1,506	116	1,622
Administrative and general	-	34	34
Depreciation	2,385	-	2,385
Transmission and distribution	-	2,742	2,742
Services, supplies and materials	1,545	-	1,545
Billing and collection	-	1,601	1,601
Total Operating Expenses	<u>5,436</u>	<u>32,301</u>	<u>37,737</u>
Operating Income (Loss)	<u>586</u>	<u>(1,136)</u>	<u>(550)</u>
Nonoperating Revenues (Expenses):			
Interest expense	(190)	-	(190)
Other	<u>12</u>	<u>-</u>	<u>12</u>
Total Nonoperating Revenues (Expenses)	<u>(178)</u>	<u>-</u>	<u>(178)</u>
Income (Loss) before Contributions and Transfers	408	(1,136)	(728)
Capital contributions	619	-	619
Transfers in	683	-	683
Transfers out	<u>(3,053)</u>	<u>-</u>	<u>(3,053)</u>
Change in Net Assets	(1,343)	(1,136)	(2,479)
Total Net Assets (Accumulated Deficit) - Beginning	<u>16,078</u>	<u>(3,590)</u>	<u>12,488</u>
Total Net Assets (Accumulated Deficit) - Ending	<u>\$ 14,735</u>	<u>\$ (4,726)</u>	<u>\$ 10,009</u>
See accompanying independent auditors' report.			

CITY OF MILWAUKEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (Thousands of Dollars)

Exhibit G-3

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 5,340	\$ 29,436	\$ 34,776
Payments to suppliers	(1,903)	(32,064)	(33,967)
Payments to employees	(1,424)	(116)	(1,540)
Payments from other funds	-	3,001	3,001
Payments to other funds	636	(257)	379
Net Cash Provided by Operating Activities	<u>2,649</u>	<u>-</u>	<u>2,649</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	683	-	683
Transfers to other funds	(3,053)	-	(3,053)
Net Cash Used for Noncapital Financing Activities	<u>(2,370)</u>	<u>-</u>	<u>(2,370)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions	575	-	575
Proceeds from sale of bonds and notes	12	-	12
Acquisition of property, plant and equipment	(197)	-	(197)
Retirement of bonds, notes and revenue bonds	(480)	-	(480)
Interest paid	(200)	-	(200)
Other	11	-	11
Net Cash Used for Capital and Related Financing Activities	<u>(279)</u>	<u>-</u>	<u>(279)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 586	\$ (1,136)	\$ (550)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	2,385	-	2,385
Changes in assets and liabilities:			
Receivables	(682)	(1,729)	(2,411)
Due from other funds	-	(257)	(257)
Accounts payable	(358)	121	(237)
Accrued liabilities	82		82
Due to other funds	636	3,001	3,637
Deferred revenue	-	-	-
Net Cash Provided by Operating Activities	<u>\$ 2,649</u>	<u>\$ -</u>	<u>\$ 2,649</u>
See accompanying independent auditors' report.			

Agency Funds

These funds account for taxes and deposits collected by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

CITY OF MILWAUKEE
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (Thousands of Dollars)

Exhibit H-1

	Balance 01-01-07	Additions	Deductions	Balance 12-31-07
BOARD OF SCHOOL DIRECTORS FUND				
ASSETS				
Cash and cash equivalents	\$ 173,007	\$ 1,345,383	\$ 1,347,829	\$ 170,561
Taxes receivable	<u>-</u>	<u>116,173</u>	<u>116,173</u>	<u>-</u>
Total Assets	<u>\$ 173,007</u>	<u>\$ 1,461,556</u>	<u>\$ 1,464,002</u>	<u>\$ 170,561</u>
LIABILITIES				
Due to Other Governmental Agencies:				
Milwaukee School Board	<u>\$ 173,007</u>	<u>\$ 1,345,383</u>	<u>\$ 1,347,829</u>	<u>\$ 170,561</u>
PROPERTY TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 99,900	\$ 212,947	\$ 210,817	\$ 102,030
Taxes Receivable	<u>-</u>	<u>110,922</u>	<u>110,922</u>	<u>-</u>
Total Assets	<u>\$ 99,900</u>	<u>\$ 323,869</u>	<u>\$ 321,739</u>	<u>\$ 102,030</u>
LIABILITIES				
Due to Other Governmental Agencies:				
State of Wisconsin	\$ 63	\$ 5,337	\$ 5,366	\$ 34
Milwaukee County	57,089	116,214	115,110	58,193
Menomonee Falls School District	-	178	178	-
Milwaukee Area District Board of Vocational Technical & Adult Education	24,646	52,733	51,956	25,423
Milwaukee Metropolitan Sewerage District	18,102	38,448	38,170	18,380
Washington County	-	3	3	-
Waukesha County	<u>-</u>	<u>35</u>	<u>35</u>	<u>-</u>
Total Liabilities	<u>\$ 99,900</u>	<u>\$ 212,948</u>	<u>\$ 210,818</u>	<u>\$ 102,030</u>
PAYROLL DEDUCTIONS FUND				
ASSETS				
Cash and cash equivalents	<u>\$ 217</u>	<u>\$ 1,373</u>	<u>\$ 1,355</u>	<u>\$ 235</u>
LIABILITIES				
Accounts payable	<u>\$ 217</u>	<u>\$ 1,373</u>	<u>\$ 1,355</u>	<u>\$ 235</u>
See accompanying independent auditors' report.				

CITY OF MILWAUKEE
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (Thousands of Dollars)

Exhibit H-1 (Continued)

	Balance 01-01-07	Additions	Deductions	Balance 12-31-07
FEES, PENALTIES AND SALES TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 328	\$ 3,607	\$ 3,600	\$ 335
LIABILITIES				
Accounts payable	\$ 2	\$ 73	\$ 74	\$ 1
Due to Other Governmental Agencies:				
State of Wisconsin	285	2,713	2,696	302
Milwaukee County	41	820	829	32
Total Liabilities	\$ 328	\$ 3,606	\$ 3,599	\$ 335
OTHER				
ASSETS				
Cash and cash equivalents	\$ 2,462	\$ 15,646	\$ 16,900	\$ 1,208
LIABILITIES				
Accounts payable	\$ 2,462	\$ 15,646	\$ 16,900	\$ 1,208
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 275,914	\$ 1,578,956	\$ 1,580,501	\$ 274,369
Receivables:				
Taxes	-	227,095	227,095	-
Total Assets	\$ 275,914	\$ 1,806,051	\$ 1,807,596	\$ 274,369
LIABILITIES				
Accounts payable	\$ 2,681	\$ 17,092	\$ 18,329	\$ 1,444
Due to other governmental agencies	273,233	1,561,864	1,562,172	272,925
Total Liabilities	\$ 275,914	\$ 1,578,956	\$ 1,580,501	\$ 274,369
<i>See accompanying independent auditors' report.</i>				

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**MISCELLANEOUS
FINANCIAL
DATA**

Exhibit I-1

	Real Estate	Personal Property	Total
Year Levied			
1985 -1996	\$ 657	\$ 1	\$ 658
1997	266	-	266
1998	163	-	163
1999	184	-	184
2000	166	1	167
2001	297	221	518
2002	336	263	599
2003	570	225	795
2004	1,465	341	1,806
2005	3,857	285	4,142
2006	<u>20,437</u>	<u>637</u>	<u>21,074</u>
Delinquent Taxes Receivable	<u>\$ 28,398</u>	<u>\$ 1,974</u>	30,372
Add: Property taxes receivable on foreclosed property (A)			<u>13,948</u>
Total Delinquent Taxes Receivable			44,320
Less: Estimated uncollectible taxes			<u>(15,743)</u>
Net Delinquent Taxes Receivable			<u>\$ 28,577</u>
<i>See accompanying independent auditors' report.</i>			
(A) Property taxes receivable on foreclosed property is valued at the cost of delinquent taxes and assessments on acquired property.			

CITY OF MILWAUKEE
COMBINED SCHEDULE OF CASH AND CASH EQUIVALENTS AND INVESTMENTS - PRIMARY GOVERNMENT
 DECEMBER 31, 2007
 (Thousands of Dollars)

Exhibit I-2

Cash and Cash Equivalents:	
Cash	\$ 52,618
Local Government Pooled - Investment Fund	104,913
Institutional Money Market Fund	105
Cash with Fiscal Agent	8,667
Certificates of Deposit	392,394
U.S. Agency Notes	<u>8,998</u>
 Total Cash and Cash Equivalents	 \$ 567,695
Investments:	
Treasury Notes, Bills and Agencies	11,940
Other	<u>217</u>
 Total Investments	 <u>12,157</u>
 Total Cash and Cash Equivalents and Investments	 <u>\$ 579,852</u>

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Total
Cash and Cash Equivalents and Investments - Fund:				
General	\$ 69,534	\$ 218	\$ -	\$ 69,752
General Obligation Debt Service	102,295	-	-	102,295
Public Debt Amortization	42,543	8,692	-	51,235
Capital Projects	2,142	-	-	2,142
Nonmajor Governmental Funds	14,735	-	-	14,735
Water Works	28,539	-	643	29,182
Sewer Maintenance	-	-	8,885	8,885
Parking	21,485	-	-	21,485
Nonmajor Enterprise Funds	-	-	-	-
Pension and Other Employee Benefit Trusts	310	-	-	310
Private-Purpose Trusts	2,215	3,247	-	5,462
Agency Funds	<u>274,369</u>	<u>-</u>	<u>-</u>	<u>274,369</u>
 Total Cash and Cash Equivalents and Investments - Fund	 <u>\$ 558,167</u>	 <u>\$ 12,157</u>	 <u>\$ 9,528</u>	 <u>\$ 579,852</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit I-3

Year	Bridges		Economic Development		Finance Real and Personal Property Tax Receivables	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 1,851	\$ 878	\$ 41	\$ 5	\$ 15,259	\$ 996
2009	1,904	785	38	3	6,568	458
2010	1,851	691	21	1	2,899	234
2011	1,676	598	2	-	1,895	121
2012	1,579	515	2	-	1,152	50
2013	1,475	438	2	-	546	12
2014	1,342	365	1	-	-	-
2015	1,328	299	1	-	-	-
2016	1,096	235	-	-	-	-
2017	945	184	-	-	-	-
2018	859	142	-	-	-	-
2019	734	105	-	-	-	-
2020	547	76	-	-	-	-
2021	747	46	-	-	-	-
2022	303	25	-	-	-	-
2023	200	15	-	-	-	-
2024	200	8	-	-	-	-
2025	<u>200</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>18,837</u>	<u>5,406</u>	<u>108</u>	<u>9</u>	<u>28,319</u>	<u>1,871</u>
Total Requirements	<u>\$ 24,243</u>		<u>\$ 117</u>		<u>\$ 30,190</u>	

See accompanying independent auditors' report.

Financial Management Information System Replacement Project		Fire		Grant and Aid Improvements - City Share	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 1,950	\$ 80	\$ 1,989	\$ 844	\$ 75	\$ 16
410	10	1,880	742	75	13
-	-	1,884	647	62	10
-	-	1,868	554	62	7
-	-	1,848	460	39	5
-	-	1,820	368	39	3
-	-	1,807	278	15	1
-	-	1,118	203	15	1
-	-	798	153	7	-
-	-	1,156	105	-	-
-	-	313	65	-	-
-	-	307	49	-	-
-	-	282	35	-	-
-	-	272	21	-	-
-	-	272	7	-	-
-	-	5	-	-	-
-	-	5	-	-	-
-	-	5	-	-	-
<u>2,360</u>	<u>90</u>	<u>17,629</u>	<u>4,531</u>	<u>389</u>	<u>56</u>
<u>\$ 2,450</u>		<u>\$ 22,160</u>		<u>\$ 445</u>	

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Harbor		Industrial Land Bank		Lakefront Development	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 483	\$ 180	\$ 29	\$ 4	\$ 4	\$ -
2009	504	155	27	2	3	-
2010	425	131	15	1	2	-
2011	425	110	2	-	-	-
2012	385	88	1	-	-	-
2013	347	68	1	-	-	-
2014	338	51	1	-	-	-
2015	311	34	-	-	-	-
2016	139	20	-	-	-	-
2017	91	13	-	-	-	-
2018	71	9	-	-	-	-
2019	67	5	-	-	-	-
2020	40	3	-	-	-	-
2021	40	1	-	-	-	-
2022	6	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>3,672</u>	<u>868</u>	<u>76</u>	<u>7</u>	<u>9</u>	<u>-</u>
Total Requirements	<u>\$ 4,540</u>		<u>\$ 83</u>		<u>\$ 9</u>	

See accompanying independent auditors' report.

	Library		Local Improvement Projects/ Special Assessments		Milwaukee Exposition and Convention Center and Arena	
	Principal	Interest	Principal	Interest	Principal	Interest
	\$ 1,000	\$ 403	\$ 1,827	\$ 748	\$ 13	\$ 2
	985	351	1,637	660	11	1
	960	302	1,371	579	7	1
	808	255	1,161	517	1	-
	765	215	958	467	1	-
	790	176	1,137	410	1	-
	742	137	1,045	353	-	-
	515	103	677	308	-	-
	507	79	2,421	273	-	-
	447	54	2,130	173	-	-
	233	32	2,073	87	-	-
	220	21	23	1	-	-
	165	12	-	-	-	-
	108	5	-	-	-	-
	58	1	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>8,303</u>	<u>2,146</u>	<u>16,460</u>	<u>4,576</u>	<u>34</u>	<u>4</u>
	<u>\$ 10,449</u>		<u>\$ 21,036</u>		<u>\$ 38</u>	

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Parking		Playgrounds/ Recreational Facilities		Police	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 2,218	\$ 554	\$ 1,262	\$ 363	\$ 5,201	\$ 1,916
2009	1,640	451	1,186	298	5,427	1,658
2010	1,237	379	1,065	239	5,016	1,386
2011	1,169	320	896	189	4,365	1,127
2012	1,012	263	655	149	4,452	909
2013	891	213	743	114	3,806	702
2014	872	169	698	78	2,815	510
2015	761	126	517	47	2,921	379
2016	596	88	378	25	1,532	242
2017	373	59	209	10	1,361	166
2018	301	41	28	2	720	100
2019	236	27	18	-	375	69
2020	194	16	-	-	280	54
2021	123	9	-	-	439	36
2022	110	3	-	-	250	23
2023	-	-	-	-	190	14
2024	-	-	-	-	190	8
2025	-	-	-	-	190	1
Totals	11,733	2,718	7,655	1,514	39,530	9,300
Total Requirements	<u>\$ 14,451</u>		<u>\$ 9,169</u>		<u>\$ 48,830</u>	

See accompanying independent auditors' report.

Public Buildings		Resource Recovery		Schools		Sewer Maintenance	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 14,061	\$ 6,652	\$ 9	\$ 1	\$ 11,131	\$ 4,568	\$ 19,701	\$ 974
13,825	5,948	9	1	9,950	4,046	268	176
13,433	5,279	5	-	9,550	3,557	270	164
12,909	4,632	1	-	9,161	3,073	271	153
11,899	4,018	-	-	8,034	2,626	273	141
11,851	3,432	-	-	7,410	2,217	293	129
11,144	2,853	-	-	6,847	1,842	296	117
10,331	2,314	-	-	5,816	1,517	299	103
9,690	1,825	-	-	7,845	1,224	302	89
7,318	1,419	-	-	5,532	858	277	76
6,052	1,091	-	-	4,679	583	277	62
5,958	810	-	-	4,209	356	277	48
4,563	565	-	-	3,340	167	277	35
5,570	325	-	-	-	-	277	21
2,077	163	-	-	-	-	277	7
1,289	98	-	-	-	-	-	-
1,289	53	-	-	-	-	-	-
1,289	8	-	-	-	-	-	-
144,548	41,485	24	2	93,504	26,634	23,635	2,295
<u>\$ 186,033</u>		<u>\$ 26</u>		<u>\$ 120,138</u>		<u>\$ 25,930</u>	

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Sewers		Streets		Tax Incremental Districts	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 7,059	\$ 2,437	\$ 9,346	\$ 3,697	\$ 9,715	\$ 6,912
2009	6,387	2,101	8,952	3,232	10,540	6,398
2010	5,755	1,799	8,297	2,784	10,767	5,874
2011	5,230	1,517	6,876	2,373	10,746	5,342
2012	5,019	1,265	6,572	2,033	10,332	4,810
2013	4,458	1,014	5,982	1,713	10,460	4,288
2014	4,208	791	5,145	1,414	9,533	3,762
2015	3,637	586	4,469	1,172	9,226	3,296
2016	2,707	401	3,694	952	8,064	2,811
2017	1,643	266	3,070	774	9,914	2,398
2018	1,161	186	1,852	630	10,257	1,883
2019	620	140	1,329	551	8,033	1,367
2020	563	111	1,088	497	7,069	983
2021	763	78	3,328	382	7,204	631
2022	616	50	2,571	274	5,280	324
2023	400	30	2,440	185	3,485	111
2024	400	16	2,440	100	535	13
2025	<u>400</u>	<u>2</u>	<u>2,440</u>	<u>15</u>	<u>-</u>	<u>-</u>
Totals	<u>51,026</u>	<u>12,790</u>	<u>79,891</u>	<u>22,778</u>	<u>141,160</u>	<u>51,203</u>
Total Requirements	<u>\$ 63,816</u>		<u>\$ 102,669</u>		<u>\$ 192,363</u>	

See accompanying independent auditors' report.

Urban Renewal		Water		Total Requirements	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 2,386	\$ 923	\$ 2,845	\$ 959	\$ 109,455	\$ 34,112
2,160	805	1,989	850	76,375	29,144
2,125	702	2,492	753	69,509	25,513
1,960	596	2,966	634	64,450	22,118
1,765	498	2,492	494	59,235	19,006
1,447	410	2,101	359	55,600	16,066
1,500	337	2,286	251	50,635	13,309
1,326	262	1,677	141	44,945	10,891
858	196	982	53	41,616	8,666
409	153	21	3	34,896	6,711
351	134	22	2	29,249	5,049
340	117	23	1	22,769	3,667
203	104	-	-	18,611	2,658
679	81	-	-	19,550	1,636
605	56	-	-	12,425	933
476	36	-	-	8,485	489
476	19	-	-	5,535	217
476	3	-	-	5,000	30
<u>19,542</u>	<u>5,432</u>	<u>19,896</u>	<u>4,500</u>	<u>728,340</u>	<u>200,215</u>
<u>\$ 24,974</u>		<u>\$ 24,396</u>		<u>\$ 928,555</u>	

CITY OF MILWAUKEE
**DEBT SERVICE REQUIREMENTS TO MATURITY - WATER REVENUE
 AND DISCLOSURE OF BOND COVERAGE**
(Thousands of Dollars)

Exhibit I-4

Year	Principal	Interest	Total Requirements
2008	891	284	1,175
2009	915	260	1,175
2010	939	236	1,175
2011	964	211	1,175
2012	989	185	1,174
2013	1,015	158	1,173
2014	1,042	131	1,173
2015	1,069	104	1,173
2016	1,098	75	1,173
2017	1,127	45	1,172
2018	<u>1,157</u>	<u>15</u>	<u>1,172</u>
	<u>\$ 11,206</u>	<u>\$ 1,704</u>	<u>\$ 12,910</u>

See accompanying independent auditors' report.

Note: Water Revenue bond coverage on Series SDWL - 1, 2, 3, 4 & 5 for 2007, consisted of gross revenues plus interest income in the amount of \$74,211, less operating expenses (excluding depreciation but including the payment of lieu of taxes) of \$55,514. As a result, the net revenue available for debt service was \$18,697. Debt service requirements consisted of \$1,175 for 2007. At the end of the year, bond coverage computes to 15.91.

CITY OF MILWAUKEE
**DEBT SERVICE REQUIREMENTS TO MATURITY - SEWERAGE SYSTEM REVENUE
AND DISCLOSURE OF BOND COVERAGE**
(Thousands of Dollars)

Exhibit I-5

Year	Revenue Bonds		State Loans (Revenue Bonds)		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 2,650	\$ 2,487	\$ 564	\$ 349	\$ 3,214	\$ 2,836
2009	2,740	2,386	578	335	3,318	2,721
2010	2,840	2,274	592	320	3,432	2,594
2011	2,940	2,151	607	305	3,547	2,456
2012	3,050	2,015	622	290	3,672	2,305
2013	3,175	1,865	637	274	3,812	2,139
2014	3,310	1,703	653	259	3,963	1,962
2015	3,465	1,539	669	242	4,134	1,781
2016	3,625	1,361	686	225	4,311	1,586
2017	3,800	1,170	703	208	4,503	1,378
2018	3,975	975	720	191	4,695	1,166
2019	4,160	776	738	172	4,898	948
2020	4,360	564	756	154	5,116	718
2021	4,565	341	775	135	5,340	476
2022	2,375	168	794	116	3,169	284
2023	2,475	54	814	96	3,289	150
2024	-	-	834	75	834	75
2025	-	-	854	54	854	54
2026	-	-	876	33	876	33
2027	-	-	897	11	897	11
	<u>\$ 53,505</u>	<u>\$ 21,829</u>	<u>\$ 14,369</u>	<u>\$ 3,844</u>	<u>\$ 67,874</u>	<u>\$25,673</u>

See accompanying independent auditors' report.

Note: Sewerage System Revenue Bonds coverage consisted of gross revenues plus interest income in the amount of \$38,170 less operating expenses (excluding depreciation) of \$17,747. As a result, the net revenue available for debt service was \$20,423. Debt service requirements consisted of \$5,145 for 2007. At the end of the year, bond coverage computes to 3.97.

CITY OF MILWAUKEE
SCHEDULE OF ACCOUNT BALANCES
CAPITAL PROJECTS BY PURPOSE
 DECEMBER 31, 2007
 (Thousands of Dollars)

Exhibit I-6

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
ASSETS					
Assets:					
Cash and cash equivalents	\$ 1,415	\$ 693	\$ -	\$ -	\$ -
Receivables (net):					
Taxes	-	15	50	-	212
Accounts	-	-	-	-	-
Special Assessments	-	-	-	-	-
Due from other governmental agencies	-	-	-	-	77
Inventory of materials and supplies	-	-	-	-	-
Total Assets	<u>\$ 1,415</u>	<u>\$ 708</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 289</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 54	\$ 10	\$ 155	\$ 94	\$ 13
Accrued expenses	18	-	-	-	7
Due to other funds	-	-	793	220	926
Due to component units	-	-	-	-	-
Deferred revenue	-	25	86	-	366
Advances from other funds	-	-	-	-	-
Total Liabilities	<u>72</u>	<u>35</u>	<u>1,034</u>	<u>314</u>	<u>1,312</u>
Fund Balance:					
Reserved for encumbrances, prepaids, and carryovers	1,343	673	(984)	(314)	(1,023)
Reserved for inventory	-	-	-	-	-
Unreserved:					
Special assessment (deficit)	-	-	-	-	-
Total Fund Balance	<u>1,343</u>	<u>673</u>	<u>(984)</u>	<u>(314)</u>	<u>(1,023)</u>
Total Liabilities and Fund Balance	<u>\$ 1,415</u>	<u>\$ 708</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 289</u>

See accompanying independent auditors' report.

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Total
\$ -	\$ -	\$ -	\$ 34	\$ -	\$ -	\$ -	\$ 2,142
-	-	-	116	1,930	2,464	-	4,787
-	-	180	-	84	-	-	264
-	-	-	-	-	-	15,157	15,157
-	60	-	-	4,912	-	-	5,049
-	-	369	-	-	-	-	369
<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 549</u>	<u>\$ 150</u>	<u>\$ 6,926</u>	<u>\$ 2,464</u>	<u>\$ 15,157</u>	<u>\$ 27,768</u>
\$ 522	\$ 5,427	\$ 48	\$ 443	\$ 971	\$ 2,387	\$ 146	\$ 10,270
2	55	6	3	126	43	-	260
1,011	11,959	960	-	9,404	21,710	-	46,983
-	-	-	29	-	129	-	158
-	-	22	200	4,368	4,261	13,930	23,258
-	-	-	-	-	-	14,032	14,032
<u>1,535</u>	<u>17,441</u>	<u>1,036</u>	<u>675</u>	<u>14,869</u>	<u>28,530</u>	<u>28,108</u>	<u>94,961</u>
(1,535)	(17,381)	(856)	(525)	(7,943)	(26,066)	-	(54,611)
-	-	369	-	-	-	-	369
-	-	-	-	-	-	(12,951)	(12,951)
<u>(1,535)</u>	<u>(17,381)</u>	<u>(487)</u>	<u>(525)</u>	<u>(7,943)</u>	<u>(26,066)</u>	<u>(12,951)</u>	<u>(67,193)</u>
<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 549</u>	<u>\$ 150</u>	<u>\$ 6,926</u>	<u>\$ 2,464</u>	<u>\$ 15,157</u>	<u>\$ 27,768</u>

CITY OF MILWAUKEE
SCHEDULE OF REVENUES , EXPENDITURES, AND CHANGES IN FUND BALANCE -
CAPITAL PROJECTS BY PURPOSE
 FOR THE YEAR ENDED DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit I-7

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
Revenues:					
Property taxes	\$ -	\$ 25	\$ 100	\$ 40	\$ 292
Special Assessments	-	-	-	-	-
Intergovernmental	915	-	-	-	77
Other	-	-	-	-	-
Total Revenues	915	25	100	40	369
Expenditures:					
Capital outlay	2,173	15	2,118	758	2,252
Excess (deficiency) of Revenues over Expenditures	(1,258)	10	(2,018)	(718)	(1,883)
Other Financing Sources (Uses):					
General obligation bonds and notes issued	540	-	1,430	210	870
Transfers out	-	-	-	-	-
Total Other Financing Sources and Uses	540	-	1,430	210	870
Net Change in Fund Balance	(718)	10	(588)	(508)	(1,013)
Fund Balance (Deficit) - Beginning	2,061	663	(396)	194	(10)
Fund Balance (Deficit) - Ending	\$ 1,343	\$ 673	\$ (984)	\$ (314)	\$ (1,023)

See accompanying independent auditors' report.

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Schools Financing	Total
\$ -	\$ 325	\$ -	\$ 175	\$ 8,002	\$ 3,947	\$ -	\$ -	\$ 12,906
-	-	-	-	-	-	3,542	-	3,542
-	-	311	29	6,252	-	-	-	7,584
<u>-</u>	<u>60</u>	<u>-</u>	<u>6</u>	<u>-</u>	<u>2,743</u>	<u>-</u>	<u>-</u>	<u>2,809</u>
<u>-</u>	<u>385</u>	<u>311</u>	<u>210</u>	<u>14,254</u>	<u>6,690</u>	<u>3,542</u>	<u>-</u>	<u>26,841</u>
<u>5,718</u>	<u>45,729</u>	<u>2,329</u>	<u>3,145</u>	<u>24,654</u>	<u>35,752</u>	<u>2,093</u>	<u>600</u>	<u>127,336</u>
<u>(5,718)</u>	<u>(45,344)</u>	<u>(2,018)</u>	<u>(2,935)</u>	<u>(10,400)</u>	<u>(29,062)</u>	<u>1,449</u>	<u>(600)</u>	<u>(100,495)</u>
660	5,995	1,545	1,170	2,238	6,060	-	600	21,318
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,502)</u>	<u>-</u>	<u>-</u>	<u>(2,502)</u>
<u>660</u>	<u>5,995</u>	<u>1,545</u>	<u>1,170</u>	<u>2,238</u>	<u>3,558</u>	<u>-</u>	<u>600</u>	<u>18,816</u>
(5,058)	(39,349)	(473)	(1,765)	(8,162)	(25,504)	1,449	-	(81,679)
<u>3,523</u>	<u>21,968</u>	<u>(14)</u>	<u>1,240</u>	<u>219</u>	<u>(562)</u>	<u>(14,400)</u>	<u>-</u>	<u>14,486</u>
<u>\$ (1,535)</u>	<u>\$ (17,381)</u>	<u>\$ (487)</u>	<u>\$ (525)</u>	<u>\$ (7,943)</u>	<u>\$ (26,066)</u>	<u>\$ (12,951)</u>	<u>\$ -</u>	<u>\$ (67,193)</u>

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit I-8

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Property Taxes:			
General	\$ 102,483	\$ 96,138	\$ (6,345)
Provision for Employees' Retirement	41,115	41,115	-
Total Property Taxes	<u>143,598</u>	<u>137,253</u>	<u>(6,345)</u>
Other Taxes:			
Payment in lieu of taxes	1,184	1,361	177
Interest on city tax certificates and other taxes	<u>2,314</u>	<u>3,950</u>	<u>1,636</u>
Total Other Taxes	<u>3,498</u>	<u>5,311</u>	<u>1,813</u>
Licenses and Permits:			
Licenses:			
Business and occupational	4,200	4,521	321
Other	136	158	22
Permits:			
Building	6,132	7,164	1,032
Zoning	315	335	20
Other	<u>993</u>	<u>1,526</u>	<u>533</u>
Total Licenses and Permits	<u>11,776</u>	<u>13,704</u>	<u>1,928</u>
Intergovernmental:			
State Shares Revenues:			
State shared taxes	239,800	239,643	(157)
Local street aids	25,750	25,995	245
Payment for municipal services	2,695	2,341	(354)
Other	<u>4,798</u>	<u>4,560</u>	<u>(238)</u>
Total Intergovernmental	<u>273,043</u>	<u>272,539</u>	<u>(504)</u>
Charges for Services:			
General government	12,855	12,408	(447)
Public safety	13,272	15,121	1,849
Public works	44,588	45,855	1,267
Health	718	798	80
Culture and recreation	1,896	1,888	(8)
Conservation and development	<u>478</u>	<u>426</u>	<u>(52)</u>
Total Charges for Services	<u>73,807</u>	<u>76,496</u>	<u>2,689</u>
Fines and Forfeits:			
Court and contract forfeitures	5,206	5,784	578
Other	-	16	16
Total Fines and Forfeits	<u>5,206</u>	<u>5,800</u>	<u>594</u>
Other:			
Interest on temporary investments	7,633	8,741	1,108
Miscellaneous	<u>6,416</u>	<u>10,142</u>	<u>3,726</u>
Total Other	<u>14,049</u>	<u>18,883</u>	<u>4,834</u>
Total	<u>\$ 524,977</u>	<u>\$ 529,986</u>	<u>\$ 5,009</u>
<i>See accompanying independent auditors' report.</i>			

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007
(Thousands of Dollars)

Exhibit I-9

				2007 Actual		
	Final Budget	Salaries and Wages	Other Operating Costs	Equipment	Total	Variance - Favorable (Unfavorable)
General Government:						
Zoning Appeals	\$ 263	\$ 176	\$ 66	\$ -	\$ 242	\$ 21
Mayor	867	822	34	2	858	9
Common Council - City Clerk	6,554	5,047	1,208	155	6,410	144
Municipal Court	3,056	2,024	1,011	4	3,039	17
City Attorney	11,873	4,592	6,802	66	11,460	413
Administration	7,082	4,780	2,279	20	7,079	3
Employee Relations	108,537	3,268	101,640	3	104,911	3,626
Election Commission	1,040	537	447	-	984	56
Comptroller	36,766	3,118	31,784	6	34,908	1,858
City Treasurer	2,922	1,528	1,260	1	2,789	133
Assessor's Office	3,467	3,083	374	-	3,457	10
Employee's Retirement	18,910	182	18,134	-	18,316	594
Interest Expense	6,568	-	6,568	-	6,568	-
Non-departmental - unallocated ...	26	-	-	-	-	26
Total General Government	207,931	29,157	171,607	257	201,021	6,910
Public Safety:						
Fire and Police Commission	478	342	129	7	478	-
Fire Department	75,023	70,472	4,376	148	74,996	27
Police Department	169,073	155,451	11,654	1,961	169,066	7
Neighborhood Services	12,645	7,999	4,506	92	12,597	48
Total Public Safety	257,219	234,264	20,665	2,208	257,137	82
Public Works:						
General Office	3,640	2,810	760	29	3,599	41
Infrastructure	19,939	12,456	7,409	69	19,934	5
Operations	66,306	40,002	28,608	1,813	70,423	(4,117)
Total Public Works	89,885	55,268	36,777	1,911	93,956	(4,071)
Health	10,359	8,261	2,067	31	10,359	-
Culture and Recreation:						
Public Library	17,791	12,809	2,823	1,916	17,548	243
Conservation and Development:						
Department of City Development .	3,320	2,182	1,097	-	3,279	41
Total	\$ 586,505	\$ 341,941	\$ 235,036	\$ 6,323	\$ 583,300	\$ 3,205

See accompanying independent auditors' report.

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CITY OF MILWAUKEE
NET ASSETS BY COMPONENT

Table 1

LAST SIX YEARS

(Accrual Basis of Accounting) (Thousands of Dollars)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental activities						
Invested in capital assets,						
net of related debt	\$ 392,967	\$ 420,357	\$ 444,873	\$ 492,841	\$ 500,045	\$ 558,328
Restricted	135,885	104,600	110,417	109,149	115,803	116,516
Unrestricted	<u>(97,970)</u>	<u>(99,195)</u>	<u>(159,507)</u>	<u>(196,677)</u>	<u>(200,581)</u>	<u>(298,676)</u>
Total governmental activities net assets ..	<u>430,882</u>	<u>425,762</u>	<u>395,783</u>	<u>405,313</u>	<u>415,267</u>	<u>376,168</u>
Business-type activities						
Invested in capital assets,						
net of related debt	506,502	518,861	529,213	560,899	554,966	581,594
Restricted	3,715	26,329	8,123	8,383	8,748	9,528
Unrestricted	<u>67,505</u>	<u>58,061</u>	<u>89,077</u>	<u>63,657</u>	<u>82,725</u>	<u>60,566</u>
Total business-type activities net assets .	<u>577,722</u>	<u>603,251</u>	<u>626,413</u>	<u>632,939</u>	<u>646,439</u>	<u>651,688</u>
Primary government						
Invested in capital assets,						
net of related debt	899,469	939,218	974,086	1,053,740	1,055,011	1,139,922
Restricted	139,600	130,929	118,540	117,532	124,551	126,044
Unrestricted	<u>(30,465)</u>	<u>(41,134)</u>	<u>(70,430)</u>	<u>(133,020)</u>	<u>(117,856)</u>	<u>(238,110)</u>
Total primary government net assets	<u>\$ 1,008,604</u>	<u>\$ 1,029,013</u>	<u>\$ 1,022,196</u>	<u>\$ 1,038,252</u>	<u>\$ 1,061,706</u>	<u>\$ 1,027,856</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in 2002.

CITY OF MILWAUKEE
CHANGES IN NET ASSETS
 LAST SIX YEARS
(Accrual Basis of Accounting) (Thousands of Dollars)

Table 2

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Expenses						
Governmental Activities						
General government	\$ 159,681	\$ 166,270	\$ 177,761	\$ 180,975	\$ 179,647	\$ 204,724
Public safety	229,167	257,207	241,027	263,852	263,608	297,711
Public works	132,198	137,693	150,591	155,048	154,644	155,288
Health	22,125	24,679	27,251	27,036	27,316	23,102
Culture and recreation	22,924	19,520	29,014	19,931	21,506	21,298
Conservation and development	50,828	64,197	57,967	57,245	66,092	70,025
Capital contribution to Milwaukee Public						
Schools	18,725	8,904	15,686	18,002	14,028	2,788
Contributions	20,378	22,499	20,582	25,465	25,412	21,915
Interest on long-term debt	29,908	26,981	24,159	22,589	32,131	30,536
Total Governmental Activities Expenses.....	<u>685,934</u>	<u>727,950</u>	<u>744,038</u>	<u>770,143</u>	<u>784,384</u>	<u>827,387</u>
Business-type Activities						
Water	52,821	56,554	54,030	58,230	58,074	62,064
Sewer Maintenance	24,214	26,440	24,361	26,096	26,605	29,928
Parking	21,893	21,438	22,283	22,369	22,609	24,025
Other activities	33,924	34,936	34,214	34,789	35,603	37,927
Total Business-type Activities	<u>132,852</u>	<u>139,368</u>	<u>134,888</u>	<u>141,484</u>	<u>142,891</u>	<u>153,944</u>
Total Primary Government Expenses	<u>818,786</u>	<u>867,318</u>	<u>878,926</u>	<u>911,627</u>	<u>927,275</u>	<u>981,331</u>
Program Revenues						
Governmental activities						
Charges for services						
General government	14,411	10,822	10,460	11,049	12,174	12,408
Public safety	8,081	8,348	13,153	13,888	13,522	15,121
Public works	31,652	32,777	33,305	35,382	44,722	45,855
Health	877	890	911	693	667	798
Culture and recreation	2,308	2,366	2,412	1,808	1,892	1,888
Conservation and development	420	511	584	590	551	426
Operating Grants and Contributions	89,217	94,646	82,664	87,718	91,271	75,074
Total Governmental Activities Program Revenues..	<u>146,966</u>	<u>150,360</u>	<u>143,489</u>	<u>151,128</u>	<u>164,799</u>	<u>151,570</u>
Business-type Activities						
Charges for services						
Water	74,300	74,136	71,579	71,903	69,636	72,808
Sewer Maintenance	28,007	32,657	30,959	31,072	34,261	37,756
Parking	37,735	39,279	41,470	38,961	40,736	39,730
Other activities	33,416	34,363	33,631	36,395	35,489	37,199
Capital Grants and Contributions	1,108	2,053	2,236	1,850	7,780	6,062
Total Business-type Activities Program Revenues..	<u>174,566</u>	<u>182,488</u>	<u>179,875</u>	<u>180,181</u>	<u>187,902</u>	<u>193,555</u>
Total Primary Government Program Revenues	<u>321,532</u>	<u>332,848</u>	<u>323,364</u>	<u>331,309</u>	<u>352,701</u>	<u>345,125</u>
Net (Expense)/Revenue						
Governmental Activities	(538,968)	(577,590)	(600,549)	(619,015)	(619,585)	(675,817)
Business-type Activities	41,714	43,120	44,987	38,697	45,011	39,611
Total primary government net expense	<u>(497,254)</u>	<u>(534,470)</u>	<u>(555,562)</u>	<u>(580,318)</u>	<u>(574,574)</u>	<u>(636,206)</u>

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets						
Governmental Activities						
Taxes	\$ 207,944	\$ 213,014	\$ 217,762	\$ 224,918	\$ 236,043	\$ 243,654
State aids for General Fund	283,068	284,565	273,865	272,875	272,417	272,539
Grants and contributions not restricted to specific programs						
Miscellaneous	57,999	56,815	56,321	82,796	87,510	84,042
Special item - receipt of loans receivable	-	-	-	14,325	-	-
Transfers	11,151	18,073	22,622	33,631	33,569	36,483
Total Governmental Activities	<u>560,162</u>	<u>572,467</u>	<u>570,570</u>	<u>628,545</u>	<u>629,539</u>	<u>636,718</u>
Business-type Activities						
Miscellaneous	686	482	797	1,460	2,058	2,121
Transfers	(11,151)	(18,073)	(22,622)	(33,631)	(33,569)	(36,483)
Total Business-type Activities	<u>(10,465)</u>	<u>(17,591)</u>	<u>(21,825)</u>	<u>(32,171)</u>	<u>(31,511)</u>	<u>(34,362)</u>
Total Primary Government	<u>549,697</u>	<u>554,876</u>	<u>548,745</u>	<u>596,374</u>	<u>598,028</u>	<u>602,356</u>
Change in Net Assets						
Governmental Activities	21,194	(5,123)	(29,979)	9,530	9,954	(39,099)
Business-type Activities	31,249	25,529	23,162	6,526	13,500	5,249
Total Primary Government	<u>\$ 52,443</u>	<u>\$ 20,406</u>	<u>\$ (6,817)</u>	<u>\$ 16,056</u>	<u>\$ 23,454</u>	<u>\$ (33,850)</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in 2002.

CITY OF MILWAUKEE
FUND BALANCES, GOVERNMENTAL FUNDS
 LAST SIX YEARS
(Modified Accrual Basis of Accounting) (Thousands of Dollars)

Table 3

	Year					
	2002	2003	2004	2005	2006	2007
General Fund						
Reserved	\$ 86,010	\$ 89,981	\$ 87,036	\$ 85,227	\$ 105,175	\$ 90,853
All Other Governmental Funds						
Reserved	\$ 161,094	\$ 135,708	\$ 135,777	\$ 148,440	\$ 171,682	\$ 90,812
Unreserved, reported in:						
Capital projects funds	(11,897)	(11,468)	(13,116)	(15,093)	(14,400)	(12,951)
Nonmajor governmental funds	-	-	(4,177)	10,497 *	8,154	16,357
Total all other governmental funds	\$ 149,197	\$ 124,240	\$ 118,484	\$ 143,844	\$ 165,436	\$ 94,218

* The substantial increase in the nonmajor governmental funds unreserved fund balance resulted from the transfer of the NIDC loans to the City.

CITY OF MILWAUKEE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST SIX YEARS
(Modified Accrual Basis of Accounting) (Thousands of Dollars)

Table 4

	Year					
	2002	2003	2004	2005	2006	2007
Revenues:						
Property taxes	\$ 183,697	\$ 197,499	\$ 198,938	\$ 205,205	\$ 214,833	\$ 221,082
Other taxes	16,579	16,336	19,284	20,461	20,910	20,867
Special assessments	4,053	4,482	4,665	4,651	3,823	3,542
Licenses and permits	10,814	10,883	11,530	13,374	13,729	13,704
Intergovernmental	356,730	362,778	337,058	355,406	345,078	336,870
Charges for services	63,726	61,478	66,409	68,762	84,191	79,754
Fines and forfeits	5,210	6,115	5,647	5,893	5,541	5,800
Contributions received	21,107	22,499	22,236	25,187	25,807	22,270
Other	26,806	24,040	24,811	32,333	44,169	43,990
Total Revenues	<u>688,722</u>	<u>706,110</u>	<u>690,578</u>	<u>731,272</u>	<u>758,081</u>	<u>747,879</u>
Expenditures:						
Current:						
General government	183,046	189,789	203,331	209,446	206,581	225,893
Public safety	227,416	259,379	241,100	262,934	267,669	268,456
Public works	92,028	91,406	93,047	92,701	90,539	97,778
Health	22,219	24,696	27,365	26,970	27,782	22,288
Culture and recreation	20,893	19,031	19,736	19,162	20,409	19,714
Conservation and development	40,113	38,519	34,629	32,079	34,801	30,954
Capital outlay	93,515	107,829	104,842	138,839	145,095	127,336
Debt Service:						
Principal retirement	76,046	73,696	68,618	81,206	146,721	152,077
Interest	28,980	28,250	28,620	29,593	34,798	35,360
Bond issuance costs	1,104	542	411	887	484	78
Total Expenditures	<u>785,360</u>	<u>833,137</u>	<u>821,699</u>	<u>893,817</u>	<u>974,879</u>	<u>979,934</u>
Excess of Revenues over (under) Expenditures	(96,638)	(127,027)	(131,121)	(162,545)	(216,798)	(232,055)
Other Financing Sources (Uses):						
General obligation bonds and notes issued	101,838	81,901	89,331	126,828	215,763	102,928
Refunding bonds issued	138,044	16,563	-	28,112	1,785	-
Payment to refunded bond escrow agent	(150,999)	(17,648)	-	(30,492)	-	-
Payment - current refunding	-	-	-	-	(1,819)	-
Loans receivable activities	-	-	-	-	1,007	4,975
Issuance premium	19,313	6,589	10,467	13,692	8,033	2,129
Capital lease	-	563	-	-	-	-
Transfers in	47,776	50,318	57,312	71,699	139,533	145,447
Transfers out	(36,625)	(32,245)	(34,690)	(38,068)	(105,964)	(108,964)
Total Other Financing Sources and Uses.	<u>119,347</u>	<u>106,041</u>	<u>122,420</u>	<u>171,771</u>	<u>258,338</u>	<u>146,515</u>
Special Item:						
Receipt of loans receivable	-	-	-	14,325	-	-
Net Change in Fund Balances	\$ 22,709	\$ (20,986)	\$ (8,701)	\$ 23,551	\$ 41,540	\$ (85,540)
Debt service as a percentage of noncapital expenditures	14.7%	13.2%	12.6%	13.6%	20.5%	20.7%

CITY OF MILWAUKEE
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN YEARS
(Thousands of Dollars)

Table 5

Budget Year	Real Estate			Personal Property		
	Residential Property	Commercial Property	Manufacturing Property	Machinery Tools Patterns	Furniture Fixtures & Equipment	All Other
1998	\$ 8,457,842	\$ 4,751,564	\$ 571,006	\$ 201,884	\$ 846,261	\$ 85,580
1999	9,093,198	5,123,443	625,806	225,321	913,644	90,702
2000	9,163,659	5,103,186	633,182	205,861	566,871	101,091
2001	10,292,623	5,612,522	741,472	218,677	621,414	96,287
2002	10,358,671	5,716,180	717,831	215,683	597,457	93,962
2003	12,027,395	6,176,332	765,130	205,531	593,878	97,989
2004	12,938,633	6,493,805	729,858	187,208	560,426	99,587
2005	14,301,662	6,903,490	733,600	178,275	558,290	97,103
2006	16,116,818	7,547,715	721,966	185,601	541,831	108,218
2007	18,211,504	8,498,283	740,265	212,808	577,964	114,128
						Ratio of Total Assessed to Total Estimated Actual
Budget Year	Total Taxable Assessed Value		Total Direct Tax Rate	Estimated Actual Taxable Value		Estimated Actual Value
1998	\$ 14,914,137		\$ 9.99	\$ 15,511,857		96.1%
1999	16,072,114		9.71	16,228,218		99.0
2000	15,773,850		9.69	16,701,225		94.4
2001	17,582,995		10.49	17,344,251		101.4
2002	17,699,784		10.87	19,453,830		90.9
2003	19,866,255		10.15	20,298,387		97.9
2004	21,009,517		9.73	21,730,754		96.7
2005	22,772,420		9.19	23,491,774		96.9
2006	25,222,149		8.75	26,256,714		96.1
2007	28,354,952		7.99	30,226,985		93.8
Source: The Assessed Values are established by the City of Milwaukee Assessor's Office and are used to calculate property taxes. The Estimated Actual (Equalized) Values are provided by the State Supervisor of Assessments. State law requires all assessments to be within 10% of the equalized value ratio at lease once every four year period.						
Note: Beginning with the year 2002 property is reassessed each year. Prior to 2002 property was reassessed every two years.						

CITY OF MILWAUKEE
DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN YEARS
(Rate per \$1,000 of assessed value)

Table 6

	Budget Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
City Direct Rates (A)										
City of Milwaukee	\$ 9.47	\$ 9.20	\$ 9.12	\$ 9.86	\$ 10.22	\$ 9.51	\$ 9.22	\$ 8.52	\$ 8.08	\$ 7.28
Allocation of Debt Service incurred for Schools	<u>0.52</u>	<u>0.51</u>	<u>0.57</u>	<u>0.63</u>	<u>0.65</u>	<u>0.64</u>	<u>0.51</u>	<u>0.64</u>	<u>0.67</u>	<u>0.71</u>
Total Direct Rate	9.99	9.71	9.69	10.49	10.87	10.15	9.73	9.16	8.75	7.99
Overlapping Rates (B)										
Milwaukee School Board	9.02	9.44	8.95	8.81	9.11	8.55	8.12	8.84	8.35	7.48
Less: allocation of Debt Service in City rate	<u>(0.52)</u>	<u>(0.51)</u>	<u>(0.57)</u>	<u>(0.63)</u>	<u>(0.65)</u>	<u>(0.64)</u>	<u>(0.51)</u>	<u>(0.64)</u>	<u>(0.67)</u>	<u>(0.71)</u>
Total School Rate	8.50	8.93	8.38	8.18	8.46	7.91	7.61	8.20	7.68	6.77
Milwaukee Area District Board of Vocational, Technical and Adult Education	2.11	2.01	2.16	2.00	2.23	2.05	2.04	2.00	1.96	1.89
County of Milwaukee	5.96	5.72	5.82	5.46	5.91	5.20	4.94	4.70	4.43	4.18
State of Wisconsin	0.21	0.20	0.21	0.20	0.22	0.20	0.21	0.21	0.20	0.19
Milwaukee Metropolitan Sewerage District	<u>1.77</u>	<u>1.72</u>	<u>1.80</u>	<u>1.68</u>	<u>1.87</u>	<u>1.74</u>	<u>1.64</u>	<u>1.59</u>	<u>1.48</u>	<u>1.39</u>
Total Tax Rate (C)	<u>\$ 28.54</u>	<u>\$ 28.29</u>	<u>\$ 28.06</u>	<u>\$ 28.01</u>	<u>\$ 29.56</u>	<u>\$ 27.25</u>	<u>\$ 26.17</u>	<u>\$ 25.86</u>	<u>\$ 24.50</u>	<u>\$ 22.41</u>

(A) State law prohibits the City from raising property taxes more than 2% plus 60% growth of new development.

(B) Overlapping rates are those of local and county governments that apply to property owners within the City of Milwaukee.

(C) Tax rates were constructed considering the provision of the tax incremental district law. The application of these rates to the applicable assessed values will provide a tax yield higher than the levy.

Table 7

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CITY OF MILWAUKEE
PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN YEARS
(Thousands of Dollars)

Table 8

Budget Year	Taxes Levied for the Fiscal Year (Original Levy)	Purchased and Adjustments (A)	Total Adjusted Levy	Collected for the Levy		Collections		Total Collections to Date	
				Levy Year (B)		Purchased Delinquents	Total Adjusted		
				Current Tax Collections	Percent Original Levy Collected	Original Levy Year (C)	Levy in Subsequent Years	Amount	Percentage of Adjusted Levy
1998	\$ 167,625	\$ 13,417	\$ 181,042	\$ 164,297	98.01%	\$ 7,831	\$ 8,648	\$ 180,776	99.85%
1999	177,125	13,261	190,386	173,190	97.78	8,413	8,620	190,223	99.91
2000	177,438	15,011	192,449	172,451	97.19	8,555	11,259	192,265	99.90
2001	211,311	19,336	230,647	206,173	97.57	13,621	10,686	230,480	99.93
2002	222,708	20,049	242,757	217,242	97.55	13,599	11,294	242,135	99.74
2003	234,485	20,774	255,259	228,345	97.38	12,918	13,277	254,540	99.72
2004	240,643	22,530	263,173	235,012	97.66	15,497	11,767	262,276	99.66
2005	248,267	23,183	271,450	242,587	97.71	14,992	11,917	269,496	99.28
2006	261,685	25,118	286,803	255,818	97.76	15,647	11,084	282,549	98.52
2007	265,319	31,686	297,005	257,350	97.00	18,581	-	275,931	92.90
(A)	This column includes adjustments. The City purchases delinquent taxes from the other units (Milwaukee County, Metropolitan Sewerage District, State, Milwaukee Area Technical College and Milwaukee Public Schools.								
(B)	Tax collections begin in December for the succeeding Budget Year								
(C)	Collections of (A) in the year purchased.								
(D)	State law limits levy increases to 2% of economic development for general city purposes.								

CITY OF MILWAUKEE
RATIOS OF OUTSTANDING DEBT BY TYPE,
 LAST TEN YEARS
(Dollars in Thousands, except per capita)

Table 9

Governmental Activities						
	General	Less:		Estimated	Percentage	
	Obligation	Amounts		Actual	of Total	
	Bonds	Available		Taxable	Taxable	
	and	in Debt		Value of	Value of	Per
<u>Year</u>	<u>Notes</u>	<u>Service Fund</u>	<u>Total</u>	<u>Property</u>	<u>Property</u>	<u>Capita</u>
1998	\$ 432,877	\$ 24,941	\$ 407,936	\$ 15,511,857	2.63%	\$ 668.03
1999	473,089	31,322	441,767	16,228,218	2.72%	726.41
2000	522,503	30,436	492,067	16,701,225	2.95%	812.57
2001	566,429	42,137	524,292	17,344,251	3.02%	880.41
2002	591,155	40,466	550,689	19,453,830	2.83%	924.04
2003	598,275	35,365	562,910	20,298,387	2.77%	945.68
2004	618,988	43,807	575,181	21,730,754	2.65%	968.45
2005	664,285	44,207	620,078	23,491,774	2.64%	1,046.08
2006	733,327	52,284	681,043	26,256,714	2.59%	1,153.59
2007	669,404	56,778	612,626	30,226,985	2.03%	1,038.01
Business-Type Activities						
	General		State		Percentage	
	Obligation		Loans		of	
	Bonds		(Revenue	Total	Personal	Per
	and	Revenue	Bonds)	Primary	Income (A)	Capita (A)
<u>Year</u>	<u>Notes</u>	<u>Bonds</u>		<u>Government</u>		
1998	\$ 85,524	\$ 4,873	\$ -	\$ 498,333	2.01%	\$ 816.06
1999	86,010	17,560	-	545,337	2.14%	896.71
2000	82,737	16,773	-	591,577	2.23%	976.89
2001	76,954	45,124	-	646,370	2.30%	1,085.41
2002	68,394	44,426	-	663,509	2.31%	1,113.35
2003	61,807	76,528	-	701,245	2.41%	1,178.08
2004	53,943	74,690	-	703,814	2.36%	1,185.03
2005	46,125	71,476	-	737,679	2.39%	1,244.47
2006	74,135	68,150	-	823,328	2.53%	1,394.60
2007	58,936	64,711	14,369	750,642	not available	1,271.86
Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements and in the Miscellaneous Financial Data Section.						
(A) See Table 13 for personal income and population data						

CITY OF MILWAUKEE
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
December 31, 2007
(Thousands of Dollars)

Table 10

Name of Government Unit	Net Debt Outstanding	Percentage Applicable to City of Milwaukee (C)	City of Milwaukee's Share of Debt
Debt Repaid with property taxes			
Direct Debt:			
City of Milwaukee (A)	\$ 671,562	100.00	\$ 671,562
Overlapping Debt:			
Milwaukee Area Technical College District	60,890	41.70	25,391
County of Milwaukee	452,851	47.81	216,508
Milwaukee Metropolitan Sewerage Area (B)	768,559	48.89	<u>375,749</u>
Total Direct and Overlapping Debt			<u>\$ 1,289,210</u>
Sources: Estimated Actual (Equalized) Values used to estimate applicable percentages provided by the State Supervisor of Assessments. Debt outstanding data provided by each governmental unit.			
Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Milwaukee. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.			
(A) Excludes \$65,446 of Industrial Revenue Bonds. Includes debt incurred to finance Milwaukee School Board construction. Net Debt Outstanding computation shown Table 11.			
(B) Includes \$520,824 low interest loan from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the District.			
(C) The percentage of overlapping debt applicable is estimated using estimated actual (equalized) property values. Applicable percentages were estimated by determining the portion of the City's equalized value.			

Table 11

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Legal Debt Margin Calculation for Fiscal Year 2007

Assessed Value		<u>\$ 28,354,952</u>
Equalized Value		<u>30,226,985</u>
Debt Limit 7 percent of Equalized Value		2,115,889
Amount of Debt Applicable to Debt Limit:		
General Obligation bonds	\$ 462,322	
General Obligation notes	207,082	
Parking bonds and notes	11,733	
Harbor bonds and notes	3,672	
Water Works bonds	19,896	
Sewer Maintenance bonds and notes..	23,635	
Water Works revenue bonds	11,206	
Sewer revenue bonds	<u>53,505</u>	
Total Debt		\$ 793,051
Deduct:		
Assets in Debt Service Funds	56,778	
Water Works revenue bonds (A)	11,206	
Sewer revenue bonds	<u>53,505</u>	
Total Deductions		<u>121,489</u>
Total Amount of Debt Applicable to Debt Limit		<u>671,562</u>
Legal Debt Margin		<u>\$ 1,444,327</u>

(A) The Water Revenue Bonds and Sewer Revenue Bonds are payable only from the income and revenues derived from the operations of the water system and sewer system, respectively. These bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or provision.

Note: State Statutes (67.03 and 119.49) limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. However, it may be reduced in any year by the amount of any surplus money in the debt service fund. The statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. The legal debt margin as of December 31, 2007 was \$604,540 for school purposes and \$839,787 for general purposes.

CITY OF MILWAUKEE
PLEDGED-REVENUE COVERAGE
 LAST TEN YEARS
(Thousands of Dollars)

Table 12

Water Revenue Bonds							
Year	Gross Revenues	Debt Coverage Expenses	Net Available Revenue	Debt Service		Total Debt Service	Coverage
				Principal	Interest		
1998	\$ 56,522	\$ 41,935	\$ 14,587	\$ -	\$ 3	\$ 3	4,862.33
1999	56,556	41,313	15,243	-	300	300	50.81
2000	63,188	42,046	21,142	787	446	1,233	17.15
2001	62,328	41,824	20,504	744	433	1,177	17.42
2002	74,245	37,948	36,297	763	414	1,177	30.84
2003	74,161	42,072	32,089	782	394	1,176	27.29
2004	71,546	47,884	23,662	803	373	1,176	20.12
2005	72,661	51,953	20,708	824	352	1,176	17.61
2006	71,149	51,365	19,784	846	330	1,176	16.82
2007	74,211	55,514	18,697	868	307	1,175	15.91
Sewer Revenue Bonds							
Year	Gross Revenues	Debt Coverage Expenses	Net Available Revenue	Debt Service		Total Debt Service	Coverage
				Principal	Interest		
2001	\$ 18,899	\$ 14,093	\$ 4,806	\$ -	\$ 113	\$ 113	42.53
2002	28,307	15,283	13,024	-	1,357	1,357	9.60
2003	32,792	14,722	18,070	1,000	1,340	2,340	7.72
2004	31,279	13,557	17,722	1,035	2,827	3,862	4.59
2005	31,390	15,022	16,368	2,390	2,762	5,152	3.18
2006	34,630	14,834	19,796	2,480	2,667	5,147	3.85
2007	38,170	17,747	20,423	2,570	2,575	5,145	3.97
Water Revenue Bonds issued in 1998. Sewer Revenue bonds issued in 2001.							
Note:	Details regarding the city's outstanding debt can be found in the notes to the financial statements. Gross revenues include nonoperating interest income. Operating expenses do not include interest, depreciation, or amortization expenses, but does include the transfer for Payment in Lieu of Taxes.						

CITY OF MILWAUKEE
DEMOGRAPHIC AND ECONOMIC STATISTICS,
 LAST TEN CALENDAR YEARS

Table 13

Year	Population (A)	County of Milwaukee		Median Age (D)	School Enrollment (E)	Unemployment Rate (F)
		Personal Income (Thousands of Dollars (B))	Per Capita Income (C)			
1998	610,654	\$ 24,772,518	\$ 26,286	30.3	105,645	4.8%
1999	608,150	25,533,958	27,149	30.3	105,374	4.9
2000	605,572	26,520,952	28,220	30.6	103,541	5.9
2001	595,508	28,125,424	29,796	30.6	103,397	7.4
2002	595,958	28,737,661	30,354	30.6	103,464	8.9
2003	595,245	29,139,237	30,699	30.6	103,769	7.9
2004	593,920	29,863,926	31,428	30.6	102,309	6.8
2005	592,765	30,895,266	32,538	30.6	100,262	6.5
2006	590,370	32,500,267	34,128	30.6	97,509	6.5
2007	590,190	Not available	Not available	30.6	87,360	6.5
(A)	The December 31, 1998 through 2007 populations are estimated from the Wisconsin Department of Revenue used in the distribution of State Shared Taxes. 2006 and 2007 is from the Wisconsin Department of Administration estimates. (The population data differs from the Census Bureau.)					
(B)	Personal income is from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce. Personal income includes all of Milwaukee County because a substantial portion of the County is made up of the City of Milwaukee.					
(C)	Per capita personal income is from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce and includes all of Milwaukee County because a substantial portion of the County is made up of the City of Milwaukee.					
(D)	Median age of the population is determined only during a census. These figures represent the data collected by the 1990 and 2000 Regular Census.					
(E)	Annual School Census by Board of School Directors. Represents Public Schools only.					
(F)	State of Wisconsin, Department of Workforce Development.					

Table 14

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CITY OF MILWAUKEE
CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAMS - ADOPTED BUDGET POSITIONS
 LAST TEN YEARS

Table 15

Functions/Programs	Adopted budgeted positions for the year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government	806	814	803	748	747	727	685	678	673	692
Temporary - Election Commission	1,719	1,321	1,711	1,338	103	65	103	63	103	29
Public Safety										
Fire										
Fire Fighting Force	1,057	1,056	1,077	1,077	1,075	1,079	1,039	1,033	1,007	1,077
Civilians	63	64	63	66	66	67	64	74	75	75
Police										
Law Enforcement	2,183	2,174	2,138	2,135	2,130	2,134	2,149	2,155	2,159	2,156
Civilian	562	595	554	546	582	576	563	564	567	613
School Crossing Guards	241	241	241	241	241	241	241	241	241	241
Neighborhood Services	214	291	277	280	288	216	223	227	224	228
Public Works										
Administrative Services	66	66	71	73	71	69	64	65	65	64
Infrastructure Services	815	815	801	786	783	783	728	711	703	698
Operations	1,804	1,883	1,820	1,824	1,814	1,755	1,619	1,606	1,588	1,577
Sanitation emergency	500	500	500	500	500	500	250	-	-	-
Winter relief	300	262	262	262	262	237	159	74	66	66
Health	430	378	374	368	377	367	359	345	326	337
Culture and recreation	416	419	446	447	449	445	409	409	402	398
Conservation and development	369	310	300	287	271	325	252	238	236	232
Youth initiative positions	528	528	-	-	-	-	-	-	25	25
Water	490	443	412	400	388	382	363	363	355	346
Sewer Maintenance	188	190	190	191	193	209	198	198	199	189
Parking	25	32	99	125	128	128	128	128	129	128
Port of Milwaukee	<u>37</u>	<u>35</u>	<u>35</u>	<u>35</u>	<u>35</u>	<u>34</u>	<u>33</u>	<u>29</u>	<u>30</u>	<u>31</u>
Subtotal	12,813	12,417	12,174	11,729	10,503	10,339	9,629	9,201	9,173	9,202
Less: Election Commission temporary										
General Government	<u>(1,719)</u>	<u>(1,321)</u>	<u>(1,711)</u>	<u>(1,338)</u>	<u>(103)</u>	<u>(65)</u>	<u>(103)</u>	<u>(63)</u>	<u>(103)</u>	<u>(29)</u>
Total Budgeted Positions	<u>11,094</u>	<u>11,096</u>	<u>10,463</u>	<u>10,391</u>	<u>10,400</u>	<u>10,274</u>	<u>9,526</u>	<u>9,138</u>	<u>9,070</u>	<u>9,173</u>

Source: Budget Office. Firefighters and Law Enforcement from Departmental reports.

Note: Beginning in 2004 Fire auxiliary positions were unfunded and therefore excluded. After 2001 temporary poll workers are no longer considered City employees.

**CITY OF MILWAUKEE
OPERATING INDICATORS BY FUNCTIONS/PROGRAMS
LAST TEN YEARS**

Table 16

Functions/Programs	Operating Indicators									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government										
Investment portfolio return	5.60%	5.20%	6.14%	4.12%	1.70%	1.20%	1.50%	3.00%	4.78%	5.09%
Courtroom cases					114,978	131,117	137,432	116,388	114,949	110,130
Public safety										
Police										
Dispatched assignments	568,923	550,714	511,768	511,000	536,109	503,909	500,162	491,144	489,139	488,426
Traffic citations	141,989	138,035	100,612	132,732	141,464	146,210	108,346	98,044	93,369	95,327
Homicide clearance rates	82.20%	81.45%	80.99%	83.46%	78.70%	79.44%	80.68%	71.31%	71.84%	83.80%
Fire										
Number of medical emergency assists								51,091	51,862	52,735
Number of fires extinguished								2,662	2,527	2,438
Civilian fire deaths								12	16	14
Building Inspection										
Complaints reported		34,291	33,443	33,985	30,096	31,479	31,284	34,078	34,431	33,576
Orders issued		26,695	33,306	42,144	41,762	44,042	44,564	55,443	54,976	52,729
Public Works										
Major streets paving (miles)	9.04	6.29	6.74	11.31	4.63	6.72	3.32	5.94	7.81	4
Asphalt patching/pot holes (tons)		9,350	9,409	10,360	10,500	10,459	10,236	10,014	10,344	10,560
Refuse tonnage	304,896	298,438	302,565	323,577	314,795	322,613	335,033	317,122	312,451	292,775
Recycling tonnage	32,731	32,268	29,137	28,544	27,270	26,101	25,802	25,483	25,300	23,716
Health										
Food inspections										
Immunizations										
Culture and Recreation										
Library hours of operation	36,548	36,229	36,229	36,229	36,229	35,842	36,552	33,339	33,218	34,302
Collections size	2,844,565	2,912,934	2,969,977	3,017,395	3,022,382	3,062,142	3,104,911	3,030,281	3,018,232	2,828,429
Public computers	307	379	449	454	454	474	488	481	495	490
Conservation and Development										
Jobs created	800	940	4,653	545	514	1,193	2,037	2,466	3,494	2,354
retained	1,625	2,488	1,813	2,203	1,925	1,321	14,108	2,775	9,182	2,092
New housing units								1,538	982	1,037
Water										
Millions gallons sold	41,760	41,901	41,730	40,813	39,970	36,473	37,237	38,439	35,486	35,049
Population served	822,300	846,388	833,322	831,850	831,979	830,719	833,112	852,857	849,981	858,920
Sewer Maintenance										
Sewer service backups	36	50	76	46	58	59	32	43	40	42
Street flooding complaints	4,498	3,889	5,538	4,428	2,728	2,500	1,724	4,143	4,810	3,366
Parking										
Citations issued	818,471	813,044	772,508	1,217,168	1,075,501	1,002,923	1,113,620	929,714	932,346	906,423
Vehicle tows	20,707	27,480	27,790	31,646	31,541	29,728	29,333	26,799	31,659	36,273
Port										
Metric tonnage total	2,666,036	2,528,200	2,509,752	2,927,447	2,724,231	2,654,876	2,923,364	3,424,827	3,481,541	3,568,929

Sources: Various city departments.

Ten years of data was not available for all operating indicators, but will be accumulated as it becomes available.

Table 17

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